# VOLUNTARY PUBLIC TENDER OFFER BY AUREIT HOLDING OY FOR ALL ISSUED AND OUTSTANDING SHARES IN HOIVATILAT PLC

Aureit Holding Oy (the "**Offeror**") hereby offers to acquire through a voluntary public cash tender offer, in accordance with Chapter 11 of the Finnish Securities Markets Act (746/2012, as amended) and the terms and conditions of this tender offer document (the "**Tender Offer Document**"), all of the issued and outstanding shares in Hoivatilat Plc ("**Hoivatilat**") which are not held by Hoivatilat or any of its subsidiaries (the "**Shares**" or, individually, a "**Share**") (the "**Tender Offer**").

The Offeror is a limited liability company incorporated under the laws of Finland. The Offeror is a wholly owned subsidiary of Aedifica SA/NV ("**Aedifica**"). Aedifica is a Belgian public regulated real estate company ("*openbare gereglementeerde vastgoedvennootschap*" / "*société immobilière réglementée publique*") and its shares are listed on the regulated market of Euronext Brussels.

Hoivatilat is a public limited liability company incorporated under the laws of Finland and its shares, including the Shares, are listed on the official list of Nasdaq Helsinki Ltd. ("**Nasdaq Helsinki**").

The Offeror, Aedifica and Hoivatilat have on 4 November 2019 entered into a combination agreement (the "**Combination Agreement**") under which the Offeror makes the Tender Offer. For details, please see section "*Summary of the Combination Agreement*".

The consideration offered for each Share validly tendered in the Tender Offer is EUR 14.75 in cash (the "**Offer Price**").

The Offer Price represents a premium of approximately 16.1% compared to the closing price of the Shares on Nasdaq Helsinki on 1 November 2019, the last trading day prior to the announcement of the Tender Offer, a premium of approximately 25.7% compared to the volume-weighted average trading price of the Shares on Nasdaq Helsinki during the three-month period preceding the announcement of the Tender Offer, a premium of approximately 33.2% compared to the volume-weighted average trading price of the Shares on Nasdaq Helsinki during the six-month period preceding the announcement of the Tender Offer, and a premium of approximately 83.2% compared to Hoivatilat's most recent reported EPRA NAV (net asset value) based on the unaudited consolidated business review for the nine-month period ended on 30 September 2019.

The acceptance period for the Tender Offer (the "**Offer Period**") will commence at 9:00 a.m. (Finnish time) on 11 November 2019 and expire at 4:00 p.m. (Finnish time) on 2 December 2019, unless the Offer Period is extended. For details, please see section "*Terms and Conditions of the Tender Offer*".

The completion of the Tender Offer is subject to the satisfaction of the conditions described under the section "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*". The Offeror reserves the right to waive, to the extent permitted by applicable law, any conditions to completion of the Tender Offer.

The Major Shareholders (as defined below) and the Management Shareholders (as defined below), together representing approximately 22.5% of all outstanding shares and votes in Hoivatilat, have irrevocably undertaken to accept the Tender Offer. The Board of Directors of Hoivatilat has unanimously decided to recommend that the shareholders of Hoivatilat accept the Tender Offer.

The information on this front page should be read in conjunction with, and is qualified in its entirety by, the more detailed information in this Tender Offer Document, in particular the section "*Terms and Conditions of the Tender Offer*".

THIS TENDER OFFER IS NOT BEING MADE, DIRECTLY OR INDIRECTLY, IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRUBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO BELGIUM, CANADA, JAPAN, AUSTRALIA, SOUTH AFRICA OR HONG KONG OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

Financial Advisor to the Offeror and Arranger of the Tender Offer

Skandinaviska Enskilda Banken AB (publ) Helsinki Branch

## IMPORTANT INFORMATION

This Tender Offer Document has been prepared in accordance with Finnish law, including the Finnish Securities Markets Act (746/2012, as amended) (the "**SMA**"), Decree 1022/2012 of the Ministry of Finance and regulations and guidelines 9/2013 (FIVA 10/01.00/2013) issued by the Finnish Financial Supervisory Authority (the "**FIN-FSA**"). The Tender Offer Document and the Tender Offer shall be governed by Finnish law and any disputes related thereto shall be exclusively settled by Finnish courts of competent jurisdiction.

The Offeror has undertaken to follow the Helsinki Takeover Code issued by the Securities Market Association referred to in Chapter 11, Section 28 of the SMA. According to the statement issued by the Board of Directors of Hoivatilat on 6 November 2019 and attached as Annex A to this Tender Offer Document, Hoivatilat has also undertaken to follow the Helsinki Takeover Code.

The Tender Offer Document is available in Finnish and in English. In the event of any discrepancy between the two language versions, the Finnish language version shall prevail.

The FIN-FSA has approved the Finnish language version of this Tender Offer Document. The FIN-FSA assumes no responsibility for the accuracy of the information presented therein. The decision number of the FIN-FSA's approval decision is FIVA 27/02.05.05/2019.

The Finnish language version of this Tender Offer Document will as of 8 November 2019 be available on the internet at www.aedifica.be/en/tender-offer-fi and on or about 11 November 2019 at the offices of Skandinaviska Enskilda Banken AB (publ) Helsinki Branch, Eteläesplanadi 18, FI-00130 Helsinki, Finland. The English language version of this Tender Offer Document will as of 8 November 2019 be available on the internet at www.aedifica.be/en/tender-offer.

The Offeror may also acquire Shares in public trading on Nasdaq Helsinki or otherwise before, during and/or after the Offer Period (including any extension thereof) and any Subsequent Offer Period (as defined below) or otherwise outside the Tender Offer to the extent permitted by Finnish and any other applicable law.

This Tender Offer is not being made, directly or indirectly in any jurisdiction where prohibited by applicable law and this Tender Offer Document and related acceptance forms are not and may not be distributed, forwarded or transmitted into or from any jurisdiction where prohibited by applicable law by any means whatsoever including, without limitation, mail, facsimile transmission, e-mail or telephone. In particular, the Tender Offer is not made in and this Tender Offer Document must under no circumstances be distributed into Belgium, Canada, Japan, Australia, South Africa or Hong Kong or any other jurisdiction where prohibited by applicable law.

All financial and other information regarding Hoivatilat presented in this Tender Offer Document has been extracted from, and is exclusively based upon, the audited consolidated financial statements published by Hoivatilat for the financial year ended on 31 December 2018, the unaudited consolidated business review published by Hoivatilat for the nine-month period ended 30 September 2019, entries in the Finnish Trade Register and other publicly available information. The Offeror does not accept any responsibility whatsoever for such information except for the accurate restatement of such information herein.

Except to the extent required by mandatory law, this Tender Offer Document will not be supplemented or updated with any financial information or other stock exchange releases published by Hoivatilat subsequent to the date of this Tender Offer Document, nor will the Offeror otherwise separately announce the publishing of such financial information or stock exchange releases.

Skandinaviska Enskilda Banken AB (publ) Helsinki Branch ("**SEB**"), which is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen) in cooperation with the FIN-FSA, is acting as financial adviser to the Offeror and no one else in connection with the Tender Offer and as arranger in relation to the Tender Offer, will not regard any other person than the Offeror as its client in relation to the Tender Offer and will not be responsible to anyone other than the Offeror for providing protection afforded to clients of SEB or for providing advice in relation to the Tender Offer.

### Notice to Shareholders in the United States

U.S. shareholders are advised that the Shares are not listed on a U.S. securities exchange and that Hoivatilat is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**") and is not required to, and does not, file any reports with the U.S. Securities and Exchange Commission (the "**SEC**") thereunder. The Tender Offer is made to Hoivatilat's shareholders resident in the United States on the same terms and conditions as those on which it is made to all other shareholders of Hoivatilat to whom an offer is made. Any information documents, including this Tender Offer Document, are being disseminated to U.S. shareholders on a basis comparable to the method that such documents are provided to Hoivatilat's other shareholders.

The Tender Offer is made for the issued and outstanding shares in Hoivatilat, which is domiciled in Finland. Information distributed in connection with the Tender Offer is subject to the disclosure requirements of Finland, which are different from those of the United States. In particular, the financial statements and financial information included in this Tender Offer Document have been prepared in accordance with applicable accounting standards in Finland, which may not be comparable to the financial statements or financial information of U.S. companies.

It may be difficult for Hoivatilat's shareholders to enforce their rights and any claims they may have arising under the federal securities laws, since the Offeror and Hoivatilat are located in non-U.S. jurisdictions, and all of their respective officers and directors are residents of non-U.S. jurisdictions. Hoivatilat's shareholders may not be able to sue the Offeror or Hoivatilat or their respective officers or directors in a non-U.S. court for violations of the U.S. securities laws. It may be difficult to compel the Offeror and Hoivatilat and their respective affiliates to subject themselves to a U.S. court's judgement.

The Tender Offer is made in the United States pursuant to Section 14 (e) and Regulation 14E under the Exchange Act as a "Tier II" tender offer, and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

To the extent permissible under applicable law or regulations, the Offeror and its affiliates or brokers (acting as agents for the Offeror or its affiliates, as applicable) may from time to time, and other than pursuant to the Tender Offer, directly or indirectly, purchase or arrange to purchase Shares or any securities that are convertible into, exchangeable for or exercisable for such Shares. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Hoivatilat of such information. In addition, the financial advisors to the Offeror may also engage in ordinary course trading activities in securities of Hoivatilat, which may include purchases or arrangements to purchase such securities.

The receipt of cash pursuant to the Tender Offer by a U.S. shareholder may be taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each shareholder is urged to consult its independent professional adviser immediately regarding the tax consequences of accepting the Tender Offer.

Neither the SEC nor any U.S. state securities commission has approved or disapproved the Tender Offer, or passed any comment upon the adequacy or completeness of the Tender Offer Document. Any representation to the contrary is a criminal offence in the United States.

**Notice to Shareholders in the United Kingdom**

THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER IS NOT BEING MADE AND HAVE NOT BEEN APPROVED BY AN AUTHORISED PERSON FOR THE PURPOSES OF SECTION 21 OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000. ACCORDINGLY, THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER ARE NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE COMMUNICATION OF THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER IS EXEMPT FROM THE RESTRICTION ON FINANCIAL PROMOTIONS UNDER SECTION 21 OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 ON THE BASIS THAT IT IS A COMMUNICATION BY OR ON BEHALF OF A BODY CORPORATE WHICH RELATES TO A TRANSACTION TO ACQUIRE DAY TO DAY CONTROL OF THE AFFAIRS OF A BODY CORPORATE; OR TO ACQUIRE 50 PER CENT OR MORE OF THE VOTING SHARES IN A BODY CORPORATE (SUCH PERCENTAGE INCLUDING VOTING SHARES IN SUCH BODY CORPORATE ALREADY HELD BY THE BODY CORPORATE ACQUIRING SUCH VOTING SHARES), WITHIN ARTICLE 62 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005.

**Forward Looking Statements**

This Tender Offer Document includes, to the extent they are not historical facts, "forward looking statements", including but not limited to statements about the expected timing and completion of the Tender Offer, and language indicating trends and future plans. Generally, words such as may, should, aim, will, expect, intend, estimate, anticipate, believe, plan, seek, contemplate, envisage, continue or similar expressions identify forward-looking statements.

These statements are subject to risks, uncertainties, assumptions and other important factors, many of which may be beyond the control of the Offeror, and could cause actual results to differ materially from those expressed or implied in these forward-looking statements. Given these risks, uncertainties and assumptions, investors are cautioned not to place undue reliance on such forward-looking statements. Any forward-looking statements contained herein speak only as at the date hereof.

Although the Offeror believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. The Offeror undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws or by any appropriate regulatory authority.

**Certain Key Dates**

The following timetable sets forth certain key dates relating to the Tender Offer, provided that the Offer Period has not been extended in accordance with the terms and conditions of the Tender Offer:

| | |
|---|---|
| **4 November 2019** | Announcement of the Offeror's decision to launch the Tender Offer |
| **11 November 2019** | Offer Period commences |
| **2 December 2019** | Offer Period expires (estimated) |
| **3 December 2019** | Announcement of the preliminary result of the Tender Offer (estimated) |
| **5 December 2019** | Announcement of the final result of the Tender Offer (estimated) |
| **9 December 2019** | Payment of the Offer Price (estimated) (actual time of receipt of the payment will depend on the schedules of money transaction between financial institutions) |

## PERSONS RESPONSIBLE FOR THE TENDER OFFER DOCUMENT

**Offeror**

Aureit Holding Oy
c/o Dittmar & Indrenius Attorneys Ltd
Pohjoisesplanadi 25 A, 00100 Helsinki, Finland
Domicile: Helsinki, Finland

**The Board of Directors of the Offeror**

Stefaan Gielens, Chairman
Ingrid Daerden
Sven Bogaerts

**Parent Company of the Offeror**

Aedifica SA/NV
Rue Belliard 40, 1040 Brussels, Belgium
Domicile: Brussels, Belgium

**The Board of Directors of Aedifica SA/NV**

Serge Wibaut, Chairman
Stefaan Gielens, CEO
Jean Franken
Eric Hohl
Katrien Kesteloot
Elisabeth May-Roberti
Luc Plasman
Adeline Simont
Marleen Willekens

This Tender Offer Document has been prepared by the Offeror pursuant to Chapter 11, Section 11 of the SMA for purposes of the Tender Offer set out herein.

The persons responsible for the Tender Offer Document represent that to their best understanding the information contained in this Tender Offer Document is accurate and complete and no information has been omitted that is likely to affect the assessment of the merits of the Tender Offer.

All information presented in the Tender Offer Document concerning Hoivatilat has been extracted from, and has been provided exclusively based upon, publicly available information. The Offeror does not accept responsibility for such information, except for the correct restatement of such information herein.

8 November 2019

Aureit Holding Oy        Aedifica SA/NV

## ADVISORS TO THE OFFEROR

### Financial advisor to the Offeror and Arranger in connection with the Tender Offer

Skandinaviska Enskilda Banken AB (publ) Helsinki Branch
Eteläesplanadi 18
FI-00130 Helsinki
Finland

### Legal advisor to the Offeror in connection with the Tender Offer

Dittmar & Indrenius Attorneys Ltd
Pohjoisesplanadi 25 A
FI-00100 Helsinki
Finland

## ADVISORS TO HOIVATILAT

### Financial advisor to Hoivatilat in connection with the Tender Offer

Danske Bank A/S, Finland Branch
Kasarmikatu 21 B
FI-00130 Helsinki
Finland

### Legal advisor to Hoivatilat in connection with the Tender Offer

Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki
Finland

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# 1. BACKGROUND, OBJECTIVES AND EFFECTS OF THE TENDER OFFER

## 1.1 Background to the Tender Offer

Aedifica, incorporated in 2005, is a regulated real estate company under Belgian law (Belgian REIT) specialised in European healthcare real estate. Aedifica has developed a portfolio of more than 260 sites in Belgium, Germany, the Netherlands and the United Kingdom with a total value of approximately EUR 2.3 billion. Aedifica has established itself in recent years as a reference in the European listed real estate sector and has an ambition to further expand its position in the coming years. Aedifica is stock-listed on the Brussels Stock Exchange (regulated market of Euronext Brussels) under the trading code "AED", and currently has a market capitalization of approximately EUR 2.6 billion.

The Offeror is a limited liability company incorporated under the laws of Finland. The Offeror is a wholly-owned subsidiary of Aedifica. The Offeror has been incorporated for the purpose of functioning as a holding company for Aedifica's holding in Hoivatilat.

Hoivatilat, founded in 2008, specialises in producing, developing, owning and leasing out day care centre and nursing home premises, service communities and, recently, also schools. Hoivatilat has been working in cooperation with approximately 60 Finnish municipalities and has launched a total of approximately 200 property projects throughout Finland and, as of 2019, also in Sweden. In 2018, Hoivatilat reported revenues of approximately EUR 17.2 million, an operating result of approximately EUR 7.7 million and the aggregate value of Hoivatilat's property portfolio was approximately EUR 349 million. The shares in Hoivatilat are listed on the official list of Nasdaq Helsinki under the trading code "HOIVA".

Aedifica sees Hoivatilat as an attractive partner for entering into the well-established Nordic healthcare market through an experienced company and team and thus for expanding its business to care markets, for which the outlook is highly supportive. Furthermore, the transaction will allow for the combination of Aedifica's growth track record based on a buy-and-hold strategy with Hoivatilat's growth track record based on a build-and-hold strategy and will hence support the combined group's future growth in the Nordics.

The Offeror, Aedifica and Hoivatilat have on 4 November 2019 entered into the Combination Agreement under which the Offeror has undertaken to make a public cash tender offer to purchase all of the issued and outstanding shares in Hoivatilat that are not held by Hoivatilat or any of its subsidiaries. The principal terms and conditions of the Combination Agreement have been described in section "*Summary of the Combination Agreement*" below.

## 1.2 Effects on Hoivatilat's Operations and Assets and on the Future Position of its Management and Employees

As Aedifica does not have any other business activities in Finland and the Offeror intends for Hoivatilat to continue to operate as a separate entity under Aedifica and to retain Hoivatilat's head office in Oulu after the completion of the Tender Offer, the completion of the Tender Offer is not expected to have any immediate material effect on the operations, assets or location of offices of Hoivatilat, the position of Hoivatilat's management or employees, or the relations with Hoivatilat's customers and partners.

The Offeror has not entered into any agreements providing for any compensation or other remuneration granted to the management or the members of the Board of Directors of Hoivatilat payable in return for the execution of the Combination Agreement and/or completion of the Tender Offer.

Hoivatilat has in 2018 established a long-term share-based incentive plan, divided into two earning periods expiring on 30 November 2019 and on 31 May 2021 respectively. As a consequence of the Tender Offer, the Board of Directors of Hoivatilat has decided, by virtue of the authorisation granted by Hoivatilat's annual general meeting on 26 March 2019, to issue the maximum number of 63,400 shares to the participants based on the first earning period under the incentive plan already before the expiry of the first earning period, in order to allow the participants to tender such shares in the Tender Offer. The issue of the 63,400 award shares does not affect the Offer Price. The Board of Directors of Hoivatilat has further decided that upon the Offeror acquiring more than 90% of the Shares, the participants of the incentive plan will not receive cash compensation but shall be offered a possibility to participate in a new share-based incentive plan, the terms and conditions of which shall be fair and equitable and shall be determined separately once the Offeror has acquired more than 90% of the Shares.

### 1.3 Strategic Future Plans

Aedifica has at present no interests or activities in the Nordic region of Europe. However, given Aedifica's long-term strategy as a European pure play health care real estate REIT, Finland and the Nordic region in general is clearly of strategic interest to Aedifica.

Hoivatilat will play an important role in Aedifica's strategic development in the Nordics. Hoivatilat will become the group's bridgehead in the Nordics with the aim to (continue to) build, maintain and expand a prime real estate portfolio in this region that fits within the long-term investment horizon that is typical of Aedifica's strategic view on healthcare and social real estate.

As such, the anticipated impact of the contemplated transaction on Hoivatilat can be summarized as follows:

- Maintaining Hoivatilat, its team and its corporate identity and reputation in the Finnish and Swedish market is clearly the first objective: it is Aedifica's intention to integrate Hoivatilat and its team within the Aedifica group, but to keep the company as a separate corporate entity with respect for its corporate identity and reputation, which in Aedifica's view is crucial to keep the confidence of Hoivatilat's main stakeholders, specifically Hoivatilat's team and the Finnish and Swedish municipalities and operators.

- Support Hoivatilat's future growth: Hoivatilat will, as a subsidiary within the Aedifica group, benefit from the group's knowhow and experience as a European real estate investor in building and financing a prime real estate portfolio and will benefit from the group's reputation amongst international investors and hence access to the equity markets in order to finance its future growth in the Nordic markets.

- Introducing a buy-and-hold strategy: it is Aedifica's clear intention to support Hoivatilat in the execution of its actual build-and-hold strategy; however, the group could enhance the growth of Hoivatilat by introducing and supporting also a buy-and-hold strategy as complementary to the existing build-and-hold strategy.

Upon completion of the Tender Offer, the Offeror intends to change the composition of the Board of Directors of Hoivatilat to reflect the new ownership structure of Hoivatilat.

### 1.4 Compliance with the Recommendation Referred to in Chapter 11, Section 28 of the SMA

The Offeror has undertaken to comply with the Helsinki Takeover Code published by the Securities Market Association.

### 1.5 Effects on the Offeror's Operations and Assets and its Management and Employees

Other than as a result of the payment of the Offer Price, the completion of the Tender Offer is not expected to have any immediate material effects on the operations, personnel, management, location of offices or assets of the Offeror.

### 1.6 Financing of the Tender Offer

The Offeror plans to finance the Tender Offer through access to existing and new debt facilities of Aedifica, including a bridge facility agreement containing customary conditions, including a customary material adverse change clause regarding Aedifica and the Aedifica group. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing. The financing arrangements in connection with the Tender Offer are not expected to affect the operations or obligations of Hoivatilat.

### 1.7 Offeror's Future Plans with respect to Hoivatilat's Shares

***Obligation to make a Mandatory Tender Offer***

According to Chapter 11, Section 19 of the SMA, a shareholder whose holding exceeds the threshold of 30% or 50% of the total voting rights attached to the shares in a publicly traded company, is obliged to make a tender offer for all the remaining shares and securities entitling to shares in the target company. However, under the SMA, if the relevant threshold has been exceeded by means of a voluntary public tender offer, the voluntary offer does not need to be followed by a mandatory offer provided that the initial voluntary offer has been made for all shares and other securities entitling to shares in the target company. Pursuant to the above exception, the Offeror will not have an obligation to launch a subsequent mandatory offer after the completion of the Tender Offer.

***Redemption under the Companies Act***

According to Chapter 18, Section 1 of the Finnish Companies Act (624/2006, as amended) (the "**Companies Act**"), a shareholder holding more than 90% of the total number of shares in a company and the total voting rights attached thereto is entitled to redeem all issued and outstanding shares in the target company. A minority shareholder whose shares the majority shareholder is entitled to redeem has the right to demand redemption of his/her/its shares. The mandatory redemption procedure is set forth in more detail in the Companies Act.

Should the Offeror obtain more than 90% of the total number of shares in Hoivatilat and the total voting rights attached thereto, the Offeror intends to initiate statutory redemption proceedings under the aforementioned provisions of the Companies Act in order to redeem all the remaining Shares (the "**Squeeze-Out**").

Pursuant to the Companies Act, a shareholder that holds more than 2/3 of the shares and voting rights attached to the shares in a company has sufficient voting rights to decide upon the merger of a company into another company. Should the Offeror, following completion of the Tender Offer, hold more than 2/3 but less than 90% of the total number of shares in Hoivatilat and the total voting rights attached thereto, it is possible that Hoivatilat could be subject to certain corporate transactions, including a merger of Hoivatilat into an unlisted company. However, the Offeror has not taken any resolutions regarding such transactions.

***Delisting from Nasdaq Helsinki***

The Offeror's intention is to acquire all the issued and outstanding shares in Hoivatilat and, should the Offeror obtain more than 90% of the total number of shares in Hoivatilat and the total voting rights attached thereto, the Offeror intends to initiate a Squeeze-Out and thereafter cause Hoivatilat to apply for the delisting of its shares from Nasdaq Helsinki as soon as permitted and reasonably practicable under applicable laws and regulations.

### 1.8 Statement of Board of Directors of Hoivatilat

The Board of Directors of Hoivatilat has, in its statement issued in accordance with Chapter 11, Section 13 of the SMA, unanimously decided to recommend that the shareholders of Hoivatilat accept the Tender Offer (the "**Recommendation**").

To support the Recommendation, the Board of Directors of Hoivatilat has requested from Hoivatilat's financial advisor Danske Bank A/S, Finland Branch ("**Danske Bank**") a fairness opinion regarding the Tender Offer. Danske Bank's fairness opinion, dated 3 November 2019, states that the Offer Price to be received by the holders of the Shares pursuant to the Tender Offer is believed to be fair from a financial point of view as of the date of the fairness opinion.

After having obtained Danske Bank's fairness opinion and having carefully assessed the terms and conditions of the Tender Offer and other available information from Hoivatilat's and its shareholders' point of view, the Board of Directors of Hoivatilat has on 6 November 2019 issued the statement containing the Recommendation to the effect that the Offer Price offered by the Offeror in the Tender Offer is fair to the holders of the Shares from a financial point of view. Accordingly, the Board of Directors of Hoivatilat has unanimously decided to recommend that the shareholders of Hoivatilat accept the Tender Offer. The statement containing the Recommendation is attached hereto as Annex A.

### 1.9 Undertakings of Shareholders

The Offeror has received undertakings by 2Care Capital Ab, Timo Pekkarinen, Kusinkapital Ab, Lunacon Oy and Paul Hartwall (with respect to the Shares held by him directly and through his investment company 3K Capital Oy) (the "**Major Shareholders**") and Jussi Karjula (CEO), Tommi Aarnio (CFO), Riikka Säkkinen (Communication Manager), Juhana Saarni (Property Manager), and Riku Patokoski (Executive Vice President and the Director of the Southern Finland Region) (the "**Management Shareholders**") according to which such shareholders irrevocably undertake to accept the Tender Offer except in the event that a third party announces a competing offer for all Shares offering a consideration per Share of at least EUR 16.00 (or the same cash equivalent in case of consideration other than cash) and fulfilling certain additional conditions, provided that the Offeror has not increased the Offer Price to match or exceed the consideration per Hoivatilat share under such competing offer within a time frame set out in the irrevocable undertakings.

The Major Shareholders and the Management Shareholders represent in the aggregate approximately 22.5% of all of the outstanding shares and votes in Hoivatilat.

### 1.10 Fees to Advisors

The Offeror expects the total fees that are dependent on the completion of the Tender Offer payable to its professional advisors in connection with the Tender Offer to be approximately EUR 2.85 million.

### 1.11 Applicable Law

The Tender Offer and this Tender Offer Document shall be governed by Finnish law and all disputes relating thereto shall be finally settled by Finnish courts of competent jurisdiction.

## 2. INFORMATION ON THE GROUNDS FOR PRICING OF THE TENDER OFFER

### 2.1 Grounds for Determining the Offer Price

The Tender Offer has been announced by the Offeror on 4 November 2019 (the "**Announcement**"). The Offer Price is EUR 14.75 in cash for each Share validly tendered in the Tender Offer.

Should Hoivatilat after the date of this Tender Offer Document change the number of shares issued and outstanding as a result of a new share issue, reclassification, share split (including a reverse split) or any other similar transaction with dilutive effect, or should Hoivatilat distribute a dividend or otherwise distribute funds or any other assets to its shareholders, or if a record date with respect to any of the foregoing shall occur prior to the Completion Date (as defined below), then the Offer Price shall be adjusted accordingly on a euro-for-euro basis on the gross value declared or made, before the deduction of any withholding tax and/or any other applicable taxes, as set out in section "*Terms and Conditions of the Tender Offer – Offer Price*". In the event the Offer Price is changed as a result of an aforementioned transaction or distribution of funds, the Offer Period will be extended in accordance with applicable law.

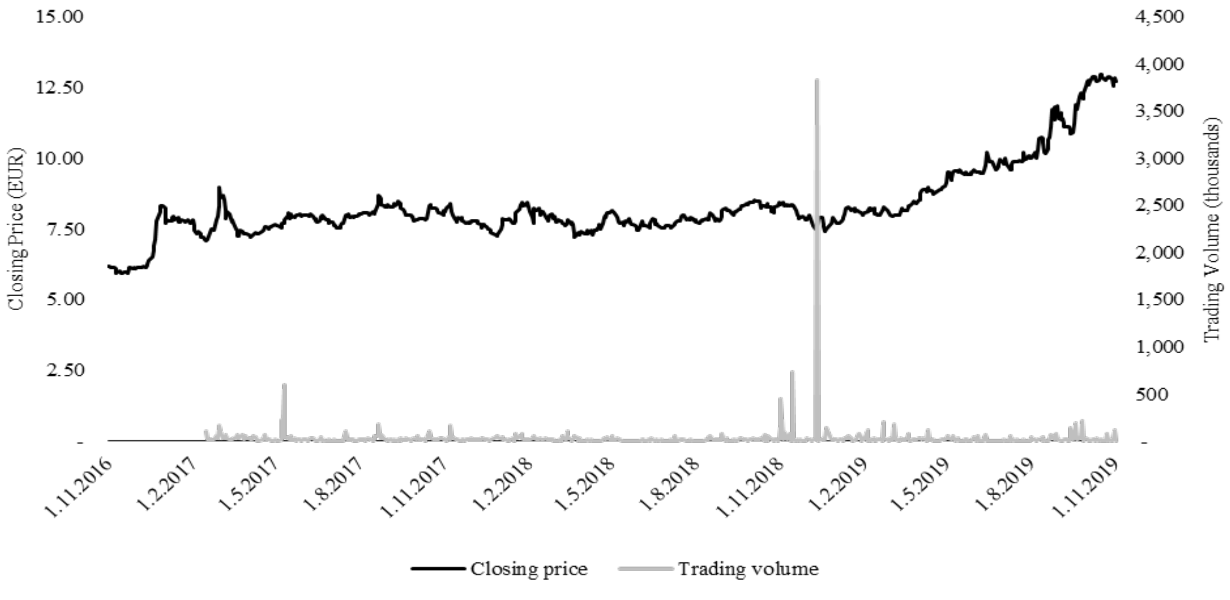
The issue of 63,400 shares in Hoivatilat to certain employees and members of management of Hoivatilat as part of Hoivatilat's existing long-term share-based incentive plan, as described in section "*Background, Objectives and Effects of the Tender Offer – Effects on Hoivatilat's Operations and Assets and on the Future Position of its Management and Employees*", does not affect the Offer Price.

According to Chapter 11, Section 24 of the SMA, the starting point in determining the consideration to be offered in a voluntary tender offer for all shares and other securities entitling to shares in the target company shall be the highest price paid for the securities subject to the tender offer by the offeror or by a person related to the offeror as stipulated in Chapter 11, Section 5 of the SMA, during a period of six (6) months preceding the announcement of the tender offer.

Neither the Offeror nor any party referred to in Chapter 11, Section 5 of the SMA has during the six-month period preceding the Announcement acquired any Shares in public trading or otherwise. Since the Announcement until 7 November 2019, the Offeror has purchased a total of 26,432 Shares representing approximately 0.1% of all of the Shares. The highest price paid for Shares was EUR 14.75 per Share. At the date of this Tender Offer Document, no party referred to in Chapter 11, Section 5 of the SMA except the Offeror holds any Shares.

### 2.2 Trading Prices and Price Development of Hoivatilat's Share

The chart below presents the price development and the trading volume of the Hoivatilat share during the last three (3) years preceding the Announcement, i.e., between 1 November 2016 and 28 February 2017 on Nasdaq Helsinki's multilateral trading facility First North Finland and between 1 March 2017 and 1 November 2019 on Nasdaq Helsinki, as the Hoivatilat shares were listed and commenced trading on Nasdaq Helsinki on 1 March 2017 and were before that listed on Nasdaq Helsinki's multilateral trading facility First North Finland. The ISIN code of the Hoivatilat shares is FI4000148648.



The closing price of the Hoivatilat share on Nasdaq Helsinki was EUR 12.70 on 1 November 2019, i.e., on the last trading day prior to the Announcement. The volume-weighted average trading price of the Hoivatilat share on Nasdaq Helsinki during the three-month period preceding the Announcement, i.e., from 1 August 2019 to 1 November 2019, was EUR 11.74. The volume-weighted average trading price of the Hoivatilat share on Nasdaq Helsinki during the 6-month period preceding the Announcement, i.e., from 2 May 2019 to 1 November 2019, was EUR 11.07.

The Offer Price represents a premium of approximately (i) 16.1% compared to the closing price of the Hoivatilat share on Nasdaq Helsinki on the last trading day prior to the Announcement, (ii) 25.7% compared to the volume-weighted average trading price of the Hoivatilat share during the three-month period preceding the Announcement, (iii) 33.2% compared to the volume-weighted average trading price of the Hoivatilat share during the 6-month period preceding the Announcement and (iv) 83.2% compared to Hoivatilat's most recent reported EPRA NAV (net asset value) based on the unaudited consolidated business review for the nine-month period ended on 30 September 2019.

The table below presents the quarterly trading prices and trading volumes of the Hoivatilat share during the last three (3) years preceding the Announcement.

| | Closing share price during the period (EUR) | | | Trading volume during the period | |
|---|---|---|---|---|---|
| **Time period** | **Average** | **High** | **Low** | **Shares** | **Euros** |
| **2016** | | | | | |
| Q1 (from 1 November) | 6.42 | 8.32 | 5.92 | 1,296,437 | 8,462,916 |
| **2017** | | | | | |
| Q1 | 7.70 | 8.96 | 7.10 | 1,943,172 | 15,291,013 |
| Q2 | 7.73 | 8.05 | 7.22 | 1,902,442 | 14,657,922 |
| Q3 | 8.06 | 8.67 | 7.54 | 1,207,063 | 9,934,727 |
| Q4 | 7.86 | 8.40 | 7.26 | 1,439,228 | 11,450,137 |
| **2018** | | | | | |
| Q1 | 7.88 | 8.45 | 7.20 | 1,498,607 | 11,863,746 |
| Q2 | 7.66 | 8.16 | 7.30 | 619,146 | 4,814,619 |
| Q3 | 7.95 | 8.45 | 7.55 | 858,258 | 6,874,775 |
| Q4 | 8.11 | 8.53 | 7.43 | 6,295,653 | 48,774,371 |
| **2019** | | | | | |
| Q1 | 8.12 | 8.50 | 7.71 | 1,604,182 | 13,077,645 |
| Q2 | 9.35 | 10.20 | 8.52 | 973,096 | 9,004,166 |
| Q3 | 10.71 | 12.55 | 9.60 | 1,540,800 | 17,230,697 |
| Q4 (until 1 November) | 12.80 | 12.95 | 12.55 | 407,033 | 5,195,718 |

### 2.3 Other Tender Offers

To the Offeror's knowledge, no public tender offer for the Shares or securities entitling to shares in Hoivatilat has been made by any third party during the twelve (12) months preceding the Announcement.

## 3. SUMMARY OF THE COMBINATION AGREEMENT

*This summary is not an exhaustive presentation of all terms and conditions of the Combination Agreement. The summary aims at describing the terms and conditions of the Combination Agreement to the extent that such terms and conditions may materially affect the assessment of a shareholder of Hoivatilat of the terms and conditions of the Tender Offer.*

### 3.1 Background to the Combination Agreement

The Offeror, Aedifica and Hoivatilat have on 4 November 2019 entered into the Combination Agreement under which the Offeror has undertaken to make a public tender offer for all the Shares.

Should the Offeror obtain more than 90% of the total number of shares in Hoivatilat and the total voting rights attached thereto, the Offeror intends to initiate a Squeeze-Out and thereafter cause Hoivatilat to apply for the delisting of its shares from Nasdaq Helsinki as soon as permitted and reasonably practicable under applicable laws and regulations.

Background to the Combination Agreement is described in further detail in section "*Background, Objectives and Effects of the Tender Offer – Background to the Tender Offer*".

### 3.2 Offer Period and Offer Price

Under the Combination Agreement, the Offer Period under the Tender Offer shall initially run for three (3) weeks and expire on 2 December 2019. The Offeror may extend the Offer Period in accordance with the terms and conditions of the Tender Offer.

The Combination Agreement stipulates that the Offeror shall offer to purchase the Shares for a consideration of EUR 14.75 in cash for each Share, subject to the terms and conditions of the Tender Offer. Any change in the number of issued and outstanding shares in Hoivatilat or any distribution of dividend or other distribution of funds or any other assets by Hoivatilat after the date of this Tender Offer Document shall adjust the Offer Price accordingly on a euro-for-euro basis on the gross value declared or made, before the deduction of any withholding tax and/or any other applicable taxes, as described in more detail in section "*Terms and Conditions of the Tender Offer – Offer Price*".

The issue of 63,400 shares in Hoivatilat to certain employees and members of management of Hoivatilat as part of Hoivatilat's existing long-term share-based incentive plan, as described in section "*Background, Objectives and Effects of the Tender Offer – Effects on Hoivatilat's Operations and Assets and on the Future Position of its Management and Employees*", does not affect the Offer Price.

### 3.3 Conditions to Completion

Under the Combination Agreement, the obligation of the Offeror to complete the Tender Offer shall be conditional upon the satisfaction or, if permitted by applicable laws and regulations, waiver by the Offeror of the Offer Conditions (as defined below) described in section "*Terms and Conditions of the Tender Offer – Conditions to Completion* " on or prior to the date of the Offeror's announcement of the final result of the Tender Offer.

### 3.4 Recommendation by the Board of Directors of Hoivatilat

The Combination Agreement provides that the Board of Directors of Hoivatilat has unanimously resolved to recommend that the shareholders of Hoivatilat accept the Tender Offer. The statement of the Board of Directors of Hoivatilat containing the Recommendation is attached hereto as Annex A.

Pursuant to the Combination Agreement, the Board of Directors of Hoivatilat may, at any time prior to the completion if the Tender Offer, withdraw, modify or amend the Recommendation or take actions contradictory to the Recommendation, if:

(i) the Board of Directors of Hoivatilat decides, acting reasonably and in good faith, that, due to materially changed circumstances, the acceptance of the Tender Offer would no longer be in the best interest of Hoivatilat and/or the shareholders of Hoivatilat;

(ii) the board of directors of Hoivatilat has received advice from an independent reputable external legal counsel and financial advisor to the effect that such withdrawal, modification or amendment of the Recommendation, or acting contradictory to the Recommendation, is required by the board of directors of Hoivatilat under its fiduciary duties;

(iii) the Board of Directors of Hoivatilat has provided the Offeror with a reasonable opportunity to negotiate with the Board of Directors of Hoivatilat on such actions; and

(iv) if such a permitted action is connected to a Competing Proposal constituting a Superior Offer (both as defined below), (a) such Competing Proposal is not a result of any direct or indirect solicitation by the Board of Directors of Hoivatilat or its representatives, (b) the Board of Directors of Hoivatilat has notified the Offeror and Aedifica of the fact that such Competing Proposal has been submitted and has provided the Offeror with a summary of the financial terms thereof, (c) the Board of Directors of Hoivatilat has provided the Offeror with a reasonable opportunity during a period of ten (10) Finnish banking days from the Offeror's receipt of the notice referred to above to negotiate with the Board of Directors of Hoivatilat and, at the Offeror's discretion, to enhance the Tender Offer, (d) upon expiry of the period of ten (10) Finnish banking days (A) the Offeror has not enhanced the Tender Offer so that such enhanced Tender Offer is, taken as a whole, at least equally favourable to Hoivatilat and its shareholders as the Competing Proposal, based on a reasonable evaluation of the Board of Directors of Hoivatilat, acting in good faith and having taken advice from an independent reputable external legal counsel and financial advisor, and taking into account in addition to the consideration offered also the other terms and conditions, the identity of the competing offeror, the availability and reliability of financing, the anticipated timing and regulatory aspects and prospects for completion, or (B) the Board of Directors of Hoivatilat decides, acting reasonably and in good faith and having taken advice from an independent reputable external legal counsel and financial advisor, that it is obligated under its mandatory fiduciary duties and the Helsinki Takeover Code to take action in response to such Competing Proposal, and (e) the Board of Directors of Hoivatilat has also otherwise complied with its obligations under the Combination Agreement relating to non-solicitation of offers and Competing Proposals.

A "**Competing Proposal**" shall mean any transaction involving Hoivatilat or its subsidiaries (including without limitation any merger, purchase of assets or other transaction which involves all or a material part of the business or assets of Hoivatilat or its subsidiaries (taken as a whole)) that could reasonably be considered to hinder the completion of the Tender Offer.

A "**Superior Offer** shall mean a *bona fide* binding written offer not solicited by or on behalf of Hoivatilat made by a third party to acquire all of the Shares or substantially all of the assets of Hoivatilat and its subsidiaries (taken as a whole) pursuant to a tender offer, merger, purchase of assets or other transaction, that provides a higher consideration per Share than the Offer Price (or the same cash equivalent in case of consideration other than cash) and on terms which are also otherwise reasonably likely to be, taken as a whole, more favourable to Hoivatilat and its shareholders than the Tender Offer, as the same may be modified by the Offeror, and which is reasonably capable of being consummated (taking into account, *inter alia*, all legal, financial, regulatory and other aspects of such offer, the conditionality of such offer, the identity of the person making such offer and the availability of financing).

### 3.5 Representations and Warranties

Under the Combination Agreement, Hoivatilat has given to the Offeror and Aedifica certain customary representations and warranties relating to, among other things:

(i) Hoivatilat and each of its subsidiaries being duly organised and validly existing under the laws of the jurisdiction of their incorporation or organisation and having the requisite power and authority and all necessary governmental approvals to own, lease and operate their properties and to carry on their business as being conducted;

(ii) the latest audited consolidated financial statements and the unaudited consolidated interim report for the six-month period ended 30 June 2019 having been prepared in accordance with relevant laws and accounting standards;

(iii) Hoivatilat having disclosed all information required to be disclosed under applicable laws and regulations, in particular with respect to the occurrence of certain adverse changes and events, and the information that Hoivatilat has delivered for the purposes of the due diligence conducted by the Offeror and Aedifica not containing any inside information;

(iv) all of the shares in Hoivatilat and its subsidiaries being validly issued and fully paid for, and there being, among other things, no option rights or other special rights entitling to shares or other securities in Hoivatilat or any of its subsidiaries, except as described in the latest annual report, and Hoivatilat owning, directly or indirectly, all outstanding shares and economic interests in each of its subsidiaries;

(v) Hoivatilat having all necessary corporate power and authority to execute and deliver the Combination Agreement and to perform its obligations thereunder;

(vi) the execution, delivery and performance of the Combination Agreement by Hoivatilat not resulting in a breach of, a default under, or a right of termination, amendment, acceleration or cancellation of, any agreement or other obligation;

(vii) neither Hoivatilat nor any of its subsidiaries having been in default or violation of applicable laws and regulations and material agreements which would result in a Material Adverse Change (as defined below);

(viii) no suit, claim, action, proceeding or investigation being pending or threatening against Hoivatilat or any of its subsidiaries which would result in a Material Adverse Change (as defined below); and

(ix) Hoivatilat and each of its subsidiaries having timely filed all returns and reports required to be filed with any tax authority, and there being no deficiency of any material amount of tax asserted or assessed by the tax authorities against Hoivatilat or its subsidiaries.

The Offeror and Aedifica have given to Hoivatilat certain customary representations and warranties relating to, among other things:

(a) the Offeror and Aedifica being duly organised and validly existing under the laws of Finland and Belgium, respectively, and having the requisite power and authority and all necessary governmental approvals to carry on their businesses as being conducted;

(b) the Offeror and Aedifica having all necessary corporate power and authority to execute and deliver the Combination Agreement and to perform their obligations thereunder;

(c) the execution, delivery and performance of the Combination Agreement by the Offeror and Aedifica not requiring any consent, approval, authorisation or permit of, or filing with or notification to, any governmental entity, except as set forth in the Combination Agreement; and

(d) the Offeror having sufficient funding required for the completion of the Tender Offer.

The representations and warranties shall automatically terminate upon the completion of the Tender Offer, thereby having no further effect after such date.

### 3.6 Undertakings

Under the Combination Agreement, the Offeror, Aedifica and Hoivatilat have given each other certain undertakings. The undertakings relate to procedures to be followed in connection with the Tender Offer, including, among other things, the following:

(i) the Offeror, Aedifica and Hoivatilat have undertaken to comply with, and not deviate from the recommendations included in, the Helsinki Takeover Code;

(ii) The Offeror, Aedifica and Hoivatilat have undertaken to use reasonable efforts to carry out or cause to be carried out, in cooperation with each other, such measures which are necessary or advisable to consummate the transactions contemplated by the Combination Agreement, such as obtaining necessary consents and waivers from relevant third parties (if any);

(iii) Hoivatilat has undertaken to continue, and to cause its subsidiaries to continue, carrying out their operations and business in the ordinary course consistent with past practice and to refrain from certain actions, except as agreed between the Offeror, Aedifica and Hoivatilat;

(iv) Hoivatilat has undertaken to issue such consents and waivers to relevant book-entry account operators as may be necessary in order to tender any Shares in the Tender Offer which are subject to lock-up or similar transfer restrictions where Hoivatilat is the beneficiary of such transfer restrictions;

(v) the Offeror, Aedifica and Hoivatilat have undertaken to consult with each other before issuing any public announcements with respect to the Combination Agreement or the Tender Offer;

(vi) Hoivatilat has undertaken to notify the Offeror and Aedifica of any change, event or circumstance that can reasonably be expected to result in a Material Adverse Change (as defined below) and Hoivatilat, Aedifica and the Offeror have undertaken to notify each other of any change, event or circumstance that can reasonably be expected to materially delay or impede their abilities to consummate the transactions contemplated by the Combination Agreement;

(vii) Hoivatilat has undertaken to provide the Offeror and Aedifica with access to information concerning Hoivatilat and its subsidiaries for, among other things, preparing the Tender Offer Document and to allow the Offeror and Aedifica to determine whether the conditions for completion of the Tender Offer are satisfied;

(viii) Hoivatilat has undertaken not to, directly or indirectly, contact any third party for the purpose of soliciting, seeking, initiating, facilitating or encouraging any approach, proposal, offer or indication of interest for a transaction that would constitute a Competing Proposal or would otherwise hinder the completion of the Tender Offer;

(ix) the Board of Directors of Hoivatilat has undertaken within five (5) Finnish banking days after completion of the Tender Offer to convene an extraordinary general meeting of shareholders of Hoivatilat for the purpose of electing new members to the Board of Directors of Hoivatilat and to abolish the shareholders' nomination board appointed by the annual general meeting of shareholders of Hoivatilat;

(x) the Offeror has undertaken, subject to the recommendation of the auditors of Hoivatilat and its subsidiaries, to vote in favour of a customary discharge from liability for the members of the Board of Directors and the managing directors of Hoivatilat and its subsidiaries, and to maintain the current liability insurance policies of the Board of Directors and managing director of Hoivatilat for a certain time after completion of the Tender Offer;

(xi) the Offeror and Aedifica have undertaken to procure that the possibility to participate in a replacing share-based incentive plan on fair and equitable terms is offered to all participants in the second earning period of the LTIP (as defined below), and should such replacing plan not be offered to the participants, the Offeror and Aedifica shall procure that the new Board of Directors of Hoivatilat complies with the terms and conditions of the existing LTIP (as defined below) and settles the second earning period of the LTIP (as defined below) in cash in accordance with its terms; and

(xii) Aedifica has undertaken to guarantee as for its own debt to Hoivatilat and the holders of Shares all the obligations of the Offeror towards Hoivatilat and the holders of Shares under the Combination Agreement and the Tender Offer.

### 3.7 Termination

The Combination Agreement may be terminated and the Tender Offer may, where permitted under the terms and conditions of the Tender Offer, be abandoned only as follows:

(i) by mutual written agreement between the Offeror, Aedifica and Hoivatilat;

(ii) by either the Offeror or Hoivatilat if the Tender Offer has not been declared unconditional by the Offeror on or before 4 February 2020, provided that the failure of the Tender Offer being declared unconditional prior to said date is not due to the terminating party's failure to fulfil any of its covenants or undertakings under the Combination Agreement;

(iii) by either the Offeror or Hoivatilat if a competent court or a governmental entity has given an order preventing the consummation of the Tender Offer or if a law or other legal restraint or prohibition makes the consummation of the Tender Offer illegal or permanently restrains, enjoins or otherwise prevents the consummation thereof, provided that such order has not been principally caused by or resulted from the terminating party's failure to fulfil any of its obligations under the Combination Agreement;

(iv) by Hoivatilat if the Board of Directors of Hoivatilat has withdrawn, modified or amended the Recommendation in accordance with the terms of the Combination Agreement;

(v) by Hoivatilat if the Offeror has not commenced the Tender Offer on or prior to 4 December 2019;

(vi) by the Offeror if the Board of Directors of Hoivatilat has (a) withdrawn, modified or amended the Recommendation, (b) approved or recommended any Competing Proposal, (c) publicly announced a neutral position with respect to any Competing Proposal, and failed to re-confirm and uphold the Recommendation within three (3) Finnish banking days from the announcement of such neutral position or (d) taken any other actions contradictory to the Recommendation and has not rectified such action within three (3) Finnish banking days from the Offeror's written notice thereof; and

(vii) by the Offeror or Aedifica upon a material breach by Hoivatilat of the representations and warranties, any covenant or any other term of the Combination Agreement and by Hoivatilat upon a material breach by the Offeror or Aedifica of the representations and warranties, any covenant or any other term of the Combination Agreement and the party having committed the breach having failed to remedy such breach (if capable of remedy) within ten (10) Finnish banking days after having been given written notice thereof and in any event no later than three (3) days prior to the expiration date of the Offer Period.

If the Combination Agreement is terminated by (a) Hoivatilat pursuant to section 3.7(iv) above or (b) by the Offeror or Aedifica pursuant to section 3.7(vi) or 3.7(vii) (except to the extent the termination is based on any breach of Hoivatilat's representations and warranties) above, Hoivatilat has undertaken to reimburse to the Offeror any and all of the Offeror's and Aedifica's expenses incurred in connection with the Combination Agreement and the Tender Offer, excluding fees that are dependent on the completion of the Tender Offer, up to the amount of EUR 2,500,000.

### 3.8 Governing Law

The Combination Agreement is governed by and construed in accordance with the laws of Finland, excluding any choice of law provisions thereof.

Any dispute, controversy or claim arising out of or relating to the Combination Agreement, or the breach, termination or validity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Chamber of Commerce.

## 4. TERMS AND CONDITIONS OF THE TENDER OFFER

### 4.1 Object of the Tender Offer

Aureit Holding Oy (the "**Offeror**") hereby offers to acquire through a voluntary public cash tender offer, in accordance with Chapter 11 of the Finnish Securities Market Act (746/2012, as amended) (the "**SMA**") and the terms and conditions of this tender offer document (the "**Tender Offer Document**"), all of the issued and outstanding shares in Hoivatilat Plc ("**Hoivatilat**") which are not held by Hoivatilat or any of its subsidiaries (the "**Shares**" or, individually, a "**Share**") (the "**Tender Offer**"). As of the date of this Tender Offer Document, to the Offeror's knowledge there are no issued and outstanding securities entitling to shares in Hoivatilat.

The Offeror is a wholly owned subsidiary of Aedifica SA/NV ("**Aedifica**"). Aedifica is a Belgian public regulated real estate company ("*openbare gereglementeerde vastgoedvennootschap*" / "*société immobilière réglementée publique*") and its shares are listed on the regulated market of Euronext Brussels.

The Offeror, Aedifica and Hoivatilat have on 4 November 2019 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Tender Offer is being made by the Offeror.

### 4.2 Offer Price

The Tender Offer was announced by the Offeror on 4 November 2019 (the "**Announcement**"). The consideration offered for each Share validly tendered in the Tender Offer is EUR 14.75 in cash (the "**Offer Price**").

The Offer Price has been determined based on 25,416,095 Shares and the issue of 63,400 additional shares in Hoivatilat described below. Should Hoivatilat after the date of this Tender Offer Document change the number of shares issued and outstanding as a result of a new share issue, reclassification, share split (including a reverse split) or any other similar transaction with dilutive effect, or should Hoivatilat distribute a dividend or otherwise distribute funds or any other assets to its shareholders, or if a record date with respect to any of the foregoing shall occur prior to the Completion Date (as defined below), then the Offer Price shall be adjusted accordingly on a euro-for-euro basis on the gross value declared or made, before the deduction of any withholding tax and/or any other applicable taxes, and the offer price so adjusted shall constitute the 'Offer Price' as defined under the Tender Offer Document (it being understood that in the event of an adjustment due to a change in the number of issued and outstanding shares in Hoivatilat, only the consideration payable for each Share will be adjusted accordingly without any reduction in the aggregate consideration payable by the Offeror).

The issue of 63,400 shares in Hoivatilat to certain employees and members of management of Hoivatilat as part of Hoivatilat's existing long-term share-based incentive plan, decided by the Board of Directors of Hoivatilat by virtue of the authorisation granted by Hoivatilat's annual general meeting on 26 March 2019 in order to allow the participants to tender such shares in the Tender Offer, does not affect the Offer Price.

### 4.3 Offer Period

The acceptance period for the Tender Offer (the "**Offer Period**") will commence at 9:00 a.m. (Finnish time) on 11 November 2019 and expire at 4:00 p.m. (Finnish time) on 2 December 2019, unless the Offer Period is extended as set forth below.

The Offer Period may be extended by the Offeror (i) from time to time until such time when all of the Offer Conditions (as defined below) shall have been satisfied or waived, (ii) in case of any competing offer as referred to in Chapter 11, Section 17 of the SMA, and (iii) with a Subsequent Offer Period (as defined below) in connection with the announcement of the final result of the Tender Offer whereby the Offeror also declares the Tender Offer unconditional, all as set forth below.

The Offeror will announce a possible extension of the Offer Period through a stock exchange release at the latest on 3 December 2019. The Offeror will announce a possible extension of an already extended Offer Period at the latest on the first ($1^{st}$) Finnish banking day following the expiry of the extended Offer Period. The duration of any possible extensions of the Offer Period or an already extended Offer Period shall be at least two (2) weeks from the date of the announcement by the Offeror concerning such extension.

If the Offeror extends the Offer Period, the Offer Period will expire on the date and at the time until which the Offeror extends the Offer Period unless the extended Offer Period is further extended or discontinued as set forth below. The maximum duration of the Offer Period (including any extension of the Offer Period) is ten (10) weeks. However, the Offer Period may be extended beyond ten (10) weeks due to a special reason in accordance with Chapter 11, Section 12 of the SMA, provided that the business operations of Hoivatilat are not hindered for longer than reasonable. The Offer Period may also be extended as required by applicable law (e.g., in the event of a change in the Offer Price in connection with a correction or supplement of the Tender Offer Document pursuant to Chapter 11, Section 11 of the SMA). The date of the expiry of the extended Offer Period will in such case be published at least two (2) weeks before such expiry. Further, any Subsequent Offer Period (as defined below) may extend beyond ten (10) weeks, to the extent permitted under applicable law.

The Offeror may discontinue any extended Offer Period should all the Offer Conditions (as defined below) be fulfilled or waived by the Offeror before the expiry of the extended Offer Period and execute the sale and purchase of the Shares validly tendered and not properly withdrawn in accordance with section "*– Completion of the Tender Offer, Payment and Settlement*" below. Should the Offeror discontinue the extended Offer Period, the Offeror will announce its decision thereof through a stock exchange release as soon as possible after such decision has been made and, in any case, at least two (2) weeks before the expiry of the extended Offer Period to be discontinued. If the Offeror discontinues the extended Offer Period, the extended Offer Period will expire on such earlier date and at the time indicated in such announcement made by the Offeror.

The Offeror reserves the right to extend the Offer Period in connection with the announcement of the final result of the Tender Offer as set forth in section *"– Announcement of the Result of the Tender Offer"* below (such extended Offer Period, the "**Subsequent Offer Period**"). In the event of such Subsequent Offer Period, the Subsequent Offer Period will expire on the date and at the time determined by the Offeror in the announcement concerning the final result of the Tender Offer. The expiration of the Subsequent Offer Period will be announced at least two (2) weeks before the expiry of such Subsequent Offer Period.

### 4.4 Conditions to Completion

The obligation of the Offeror to accept for payment the tendered Shares and to complete the Tender Offer is subject to the fulfilment or, to the extent permitted by applicable laws and regulations, waiver by the Offeror of the following conditions (the "**Offer Conditions**") on or prior to the date of the Offeror's announcement of the final result of the Tender Offer:

(i) the Tender Offer has been validly accepted to such an extent that upon completion of the purchases of Shares pursuant to the Tender Offer, the Offeror would, together with Aedifica and any entities controlled by Aedifica, hold more than 90% of all issued and outstanding shares and votes in Hoivatilat calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act (624/2006, as amended) (the "**Companies Act**");

(ii) no court or regulatory or supervisory authority of competent jurisdiction has given an order or commenced any regulatory actions preventing, postponing or materially challenging the consummation of the Tender Offer;

(iii) no Material Adverse Change (as defined below) has occurred after the Announcement;

(iv) the Offeror has not, after the Announcement, (a) received new information that results in or constitutes a Material Adverse Change (as defined below), or (b) been informed that information it has previously received from Hoivatilat or its subsidiaries is untrue or misleading, provided that the foregoing results in or constitutes a Material Adverse Change (as defined below);

(v) Hoivatilat has not failed to make public any information that should have been made public by Hoivatilat under applicable laws and regulations, provided that such failure to disclose results in or constitutes a Material Adverse Change (as defined below);

(vi) the Board of Directors of Hoivatilat has, in its statement issued pursuant to Chapter 11, Section 13 of the SMA, decided to recommend that the shareholders of Hoivatilat accept the Tender Offer (the "**Recommendation**") and has not withdrawn or amended the Recommendation (excluding any technical modification or amendment of the Recommendation required under applicable laws or the Helsinki Takeover Code as a result of a competing offer so long as the Recommendation is upheld);

(vii) the irrevocable undertakings by each of the major shareholders to accept the Tender Offer remain in full force and effect in accordance with their terms and have not been withdrawn or amended in any material respect; and

(viii) the Combination Agreement has not been terminated by any of the parties and remains in full force and effect.

"**Material Adverse Change**" means

(a) any divestment or reorganisation of any material part or asset of Hoivatilat and/or its subsidiaries taken as a whole; or

(b) any event, circumstance, development, state of facts, occurrence, change or effect, whether individually or in the aggregate, that is or would reasonably be expected to be materially adverse to the current or reasonably foreseeable future business, assets, financial condition or results of operations of Hoivatilat and its subsidiaries taken as a whole, provided that none of the following shall constitute, and no event, circumstance, development, state of facts, occurrence, change or effect to the extent resulting from any of the following shall constitute, a Material Adverse Change:

  (i) any change in political, financial, industry, economic or regulatory conditions generally, so long as such change does not have a disproportionate effect on Hoivatilat and its subsidiaries relative to other industry participants;

  (ii) any effect resulting from or caused by natural disasters, outbreak of major hostilities or any act of war or terrorism so long as such effect does not have a disproportionate effect on Hoivatilat and its subsidiaries relative to other industry participants;

  (iii) any effect resulting from any actions taken by Hoivatilat at the express request or direction of the Offeror; or

  (iv) any effect with respect to Hoivatilat arising out of the announcement of, or performance of obligations under, the Combination Agreement or the identity of the parties to the Combination Agreement,

  provided that, if any event, circumstance, development, state of facts, occurrence, change or effect results in part from any of (i) through (iv) in conjunction with any other event, circumstance, development, state of facts, occurrence, change or effect, only the incremental impact of such other event, circumstance, development, state of facts, occurrence, change or effect will be taken into account in determining whether there has been a Material Adverse Change.

The Offeror reserves the right to withdraw the Tender Offer in the event that any of the above Offer Conditions is not fulfilled.

The Offeror may only invoke any of the Offer Conditions so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant Offer Condition have a significant meaning to the Offeror in view of the Tender Offer, as referred to in regulations and guidelines 9/2013 (FIVA 10/01.00/2013) issued by the Finnish Financial Supervisory Authority (the "**FIN-FSA**") and the Helsinki Takeover Code.

The Offer Conditions set out herein are the exhaustive conditions for the completion of the Tender Offer.

The Offeror reserves the right to waive, to the extent permitted by applicable laws and regulations, any of the Offer Conditions that have not been satisfied. If all the Offer Conditions have been fulfilled or the Offeror has waived the requirement for the fulfilment of all or some of them which will be announced by a stock exchange release no later than at the time of announcement of the final result of the Tender Offer, the Offeror will complete the Tender Offer in accordance with its terms and conditions after the expiration of the Offer Period by purchasing the Shares validly tendered in the Tender Offer and paying the Offer Price to the shareholders that have validly accepted the Tender Offer.

The Tender Offer will be completed after the expiration of the Offer Period in accordance with section "*– Completion of the Tender Offer, Payment and Settlement*" below with respect to all shareholders of Hoivatilat who have validly accepted the Tender Offer.

### 4.5 Obligation to Increase the Offer Price or to Pay Compensation

To the extent permitted under applicable laws and regulations, the Offeror reserves the right to acquire Shares during and after the Offer Period (including any extension thereof) and any Subsequent Offer Period in public trading on Nasdaq Helsinki Ltd. ("**Nasdaq Helsinki**") or otherwise outside of the Tender Offer.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, after the Announcement and prior to the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25, Subsection 1 of the SMA amend the terms and conditions of the Tender Offer to correspond to such acquisition on more favourable terms (*obligation to increase the offer*). The Offeror shall then, without delay, announce the triggering of the obligation to increase the offer and pay, in connection with the completion of the Tender Offer, the difference between the acquisition on more favourable terms and the consideration offered in the Tender Offer to the holders of securities who have accepted the Tender Offer.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, during the nine (9) months following the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25, Subsection 2 of the SMA compensate those holders of securities who have accepted the Tender Offer for the amount equal to the difference between the acquisition on more favourable terms and the consideration offered in the Tender Offer (*obligation to compensate*). The Offeror shall then, without delay, announce the triggering of the obligation to compensate and pay the difference between the acquisition on more favourable terms and the consideration offered in the Tender Offer within one (1) month after the triggering of the obligation to compensate to the holders of securities who have accepted the Tender Offer.

According to Chapter 11, Section 25, Subsection 5 of the SMA, the obligation to compensate shall, however, not be triggered in case the payment of a higher price than the Offer Price is based on an arbitral award pursuant to the Companies Act, provided that the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA has not offered to acquire Shares on terms that are more favourable than those of the Tender Offer prior to or during the arbitral proceedings.

### 4.6 Acceptance Procedure

The Tender Offer may be accepted by a holder of Share(s) registered during the Offer Period in Hoivatilat's shareholders' register.

The Tender Offer must be accepted separately for each book-entry account. A shareholder of Hoivatilat submitting an acceptance must have a cash account with a financial institution operating in Finland or abroad (see also sections "– *Completion of the Tender Offer, Payment and Settlement*" and "*Important Information*"). A shareholder may only accept the Tender Offer unconditionally and with respect to all Shares on the book-entry account mentioned in the acceptance form on the date and on the time of the execution of the sale and purchase of the Shares. An acceptance given during the Offer Period is effective also until the end of any extended Offer Period.

Most of the Finnish book-entry account operators are expected to send a notice of the Tender Offer, including instructions related thereto and an acceptance form to such shareholders of Hoivatilat who are customers of the account operator and registered in Hoivatilat's shareholders' register maintained by Euroclear Finland Ltd ("**Euroclear**"). Shareholders who have not received such instructions or an acceptance form from their account operator should primarily contact their account operator. Secondarily, such shareholders can contact Skandinaviska Enskilda Banken AB (publ), Helsinki Branch ("**SEB**") by sending an email to HoivatilatOffer@seb.fi, where the shareholders can receive information for submitting their acceptance.

A shareholder of Hoivatilat whose holding(s) of Shares are registered in the name of a nominee and who wishes to accept the Tender Offer shall provide their acceptance in accordance with the instructions given by the administrator managing the nominee registration. The Offeror will not send an acceptance form or any other documents related to the Tender Offer to such shareholders of Hoivatilat.

All shareholders of Hoivatilat who are registered as holders of Shares in the shareholders' register of Hoivatilat and who wish to accept the Tender Offer must submit their acceptance to the account operator that manages their book-entry account according to the instructions and within the time limit given by the account operator. In case such account operator does not accept acceptance forms, such shareholder shall primarily contact their own bank to give their acceptance of the Tender Offer, or secondarily contact SEB by sending an email to HoivatilatOffer@seb.fi for further information. The acceptance shall be submitted so that it will be received within the Offer Period (including any extension or suspension thereof), however, in accordance with instructions given by the account operator. In the event of a Subsequent Offer Period, the acceptance form must be submitted in such manner that it is received during the Subsequent Offer Period, subject to and in accordance with the instructions of the account operator. An account operator may request a shareholder of Hoivatilat to deliver the acceptance prior to the expiry of the Offer Period or a Subsequent Offer Period.

Shares which are pledged or subject to a transfer restriction may only be tendered with the consent of the relevant pledgee or beneficiary of the transfer restriction. The obtaining of such consent shall be the responsibility of the relevant shareholder. The consent must be delivered to the account operator in writing.

The method of delivery of acceptance forms is at the shareholder's option and risk, and the delivery will be deemed made only when actually received by the relevant account operator. The Offeror reserves the right to reject any acceptance given in an incorrect or incomplete manner. The Offeror may also reject any partial tender of the Shares per book-entry account.

Those shareholders of Hoivatilat who have validly accepted the Tender Offer are not permitted to sell or otherwise dispose of the tendered Shares. By accepting the Tender Offer, the shareholders authorise their account operator to enter into their book-entry account transfer restrictions or a sales reservation with respect to the Shares after the shareholders have submitted the acceptance form with respect to the Shares. Furthermore, the shareholders who validly accept the Tender Offer authorise their account operator to perform any other necessary entries and undertake any other measures needed for the technical execution of the Tender Offer, and to sell all Shares held by the shareholder at the time of the completion trades to the Offeror in accordance with the terms and conditions of the Tender Offer. In connection with the completion trades or the clearing of the Tender Offer, the sales reservation or the transfer restriction on the right of disposal will be revoked and a cash consideration will be paid to the shareholder. If the Tender Offer is not completed or if the acceptance is properly withdrawn by a shareholder in accordance with the terms and conditions of the Tender Offer (see section "– *Withdrawal Right*" below), the transfer restriction registered on the tendered Shares in the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the announcement that the Tender Offer will not be completed or the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

***Important Information regarding NID and LEI***

According to Directive 2014/65/ EU (MiFID II) of the European Parliament and of the Council, all investors must have a global identification code from 3 January 2018 in order to carry out a securities transaction. These requirements require legal entities to apply for registration of a Legal Entity Identifier ("**LEI**") code, and natural persons need to find their NID (National ID or National Client Identifier) to accept the Tender Offer. Note that it is the legal person's legal status that determines whether a LEI code or NID number is required and that SEB may be prevented from performing the transaction to the person if a LEI or NID number (as applicable) is not provided. Legal persons who need to obtain a LEI code can contact one of the suppliers available on the market. Instructions for the global LEI system can be found on the following website: www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations. Those who intend to accept the Tender Offer are encouraged to apply for registration of a LEI code (legal persons) or to find out their NID number (physical persons) in good time, as this information is required on the application form at the time of submission.

***Information regarding Processing of Personal Data***

Those who accept the Tender Offer will submit personal data, such as name, address and social security number, to SEB, who is controller for the processing. Personal data provided to SEB will be processed in data systems to the extent required to administer the Tender Offer. Personal data obtained from sources other than the customer may also be processed. Personal data may also be processed in the data systems of companies with which SEB cooperates. Address details may be obtained by SEB through an automatic procedure executed by Euroclear. For additional information regarding SEB's processing of personal data and your rights, please see SEB's website (www.sebgroup.com/site-assistance/privacy-policy).

### 4.7 Withdrawal Right

In accordance with Chapter 11, Section 16, Subsection 1 of the SMA, the acceptances for the Shares validly tendered in accordance with the terms and conditions of the Tender Offer may be withdrawn at any time during the Offer Period or, if the Offer Period has been extended, during such extended Offer Period, until the Offeror has announced that all the Offer Conditions have been fulfilled or the Offeror has waived the right to invoke them, thereby declaring the Tender Offer unconditional. After such announcement, the acceptances for the Shares already tendered may no longer be withdrawn except in the event that a third party announces a competing public tender offer for the Shares before the execution of the sale and purchase of the Shares in accordance with section "– *Completion of the Tender Offer, Payment and Settlement*" below. The holders of the Shares validly tendered may also withdraw their acceptance during the Offer Period if the Offer Period has lasted over ten (10) weeks and the Tender Offer has not been completed.

The proper withdrawal of the acceptance requires that a written notice of withdrawal is submitted to the same account operator to whom the acceptance concerning the Shares in question was submitted. In case of holdings that are registered in the name of a nominee, the shareholder shall instruct the respective nominee to submit the notice of withdrawal.

If a shareholder properly withdraws its acceptance of the Tender Offer, any transfer restriction or sales reservation registered on the tendered Shares on the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

Shares for which an acceptance is withdrawn may be re-tendered by following the acceptance procedures described in "– *Acceptance Procedure*" above at any time prior to the expiry of the Offer Period or, if the Offer Period has been extended, prior to the expiry of such extended Offer Period or during the Subsequent Offer Period, if any.

A shareholder who withdraws its acceptance of the Tender Offer shall be liable to pay any fees which the account operator managing the relevant book-entry account or the nominee may charge for withdrawals in accordance with its price list.

In the event of a Subsequent Offer Period, the acceptance of the Tender Offer shall be binding and cannot be withdrawn, unless otherwise provided under mandatory law.

### 4.8 Announcement of the Result of the Tender Offer

The Offeror will announce the preliminary result of the Tender Offer on or about the first (1st) Finnish banking day following the expiry of the Offer Period (including any extension or suspension thereof). The Offeror will announce the final result of the Tender Offer on or about the third (3rd) Finnish banking day following the expiry of the Offer Period (including any extension thereof). In the announcement of the final result the Offeror will confirm (i) the percentage of the Shares which have been validly tendered and not validly withdrawn and (ii) whether the Tender Offer will be completed.

In the event of a Subsequent Offer Period, the Offeror will announce the preliminary percentage of the Shares validly tendered during each Subsequent Offer Period on or about the first (1st) Finnish banking day following the expiry of such Subsequent Offer Period and the final percentage on or about the third (3rd) Finnish banking day following the expiry of such Subsequent Offer Period.

### 4.9 Completion of the Tender Offer, Payment and Settlement

The sale and purchase of the Shares will be executed with respect to all shareholders of Hoivatilat who have validly accepted the Tender Offer (and not validly withdrawn their acceptances) on or about the fourth (4th) Finnish banking day following the expiry of the Offer Period (including any extension or suspension thereof) (the "**Completion Date**") and such completion trades will be settled on or about the Completion Date (the "**Clearing Date**"). If possible, the completion trades of the Shares will be executed on Nasdaq Helsinki. Otherwise, the completion trades of the Shares will be executed outside of Nasdaq Helsinki.

The Offer Price will be paid on the Clearing Date to a shareholder who has validly accepted the Tender Offer, into the management account of a book-entry account or, in the case of shareholders whose holdings are registered in the name of a nominee, into the bank account specified by the custodian or nominee. In any event, the Offer Price will not be paid to a bank account located in Belgium, Canada, Japan, Australia, South Africa or Hong Kong or any other jurisdiction where making the Tender Offer would be prohibited by applicable law (see section "*Important Information*"), and all guidance from custodians or nominees specifying bank accounts in such jurisdictions will be rejected. The actual time of receipt of the payment by the shareholder will depend on the schedules for payment transactions between financial institutions and agreement between the holder and account operator, custodian or nominee in each case.

In the event of a Subsequent Offer Period, the Offeror shall in connection with the announcement of the Subsequent Offer Period announce the terms of payment and settlement for the Shares tendered during the Subsequent Offer Period. The completion trades of Shares validly tendered in accordance with the terms and conditions of the Tender Offer during a Subsequent Offer Period shall, however, be executed at least within two (2) week intervals.

The Offeror reserves the right to postpone the payment of the Offer Price if payment is prevented or suspended due to a *force majeure* event, but shall immediately effect such payment once the *force majeure* event preventing or suspending payment is resolved.

If all the Offer Conditions are not met and the Offeror does not waive these conditions or extend the Offer Period, the Tender Offer will be terminated and no consideration will be paid for the tendered Shares.

**4.10 Transfer of Title**

Title to the Shares validly tendered and not properly withdrawn in the Tender Offer will pass to the Offeror on the Clearing Date against payment of the Offer Price by the Offeror to the tendering shareholder.

**4.11 Transfer Tax and Other Payments**

The Offeror will pay the Finnish transfer tax, if any, relating to the sale and purchase of the Shares in connection with the completion of the Tender Offer.

Fees charged by account operators, asset managers, nominees, or any other person for registering the release of any pledges or other possible restrictions preventing a sale of the relevant Shares, as well as fees relating to a withdrawal of an acceptance of the Tender Offer by a shareholder in accordance with section "– *Withdrawal Rights*" above, will be borne by each shareholder. The Offeror shall be responsible for other customary fees relating to book-entry registrations required for the purpose of the Tender Offer, the sale and the purchase of the Shares tendered in the Tender Offer or the payment of the Offer Price.

The receipt of cash pursuant to the Tender Offer by a shareholder of Hoivatilat may be a taxable transaction for such shareholder under applicable tax laws, including those of the country of residence of the shareholder. Any tax liability arising for a shareholder of Hoivatilat from the receipt of cash pursuant to the Tender Offer shall be borne by such shareholder. Each shareholder of Hoivatilat is urged to consult its independent professional adviser regarding the tax consequences of accepting the Tender Offer.

**4.12 Other Matters**

The Tender Offer and this Tender Offer Document shall be governed by Finnish law and all disputes arising out of or relating thereto shall be finally settled by Finnish courts of competent jurisdiction.

The Offeror reserves the right to amend the terms and conditions of the Tender Offer in accordance with Chapter 11, Section 15, Subsection 2 of the SMA.

The Offeror reserves the right to extend the Offer Period and to amend the terms and conditions of the Tender Offer (including a potential withdrawal of the Tender Offer) in accordance with Chapter 11, Section 17 of the SMA if, during the Offer Period or any extended Offer Period, a third party announces a competing public tender offer for the Shares.

Should the FIN-FSA issue an order regarding an extension of the Offer Period, the Offeror reserves the right to decide upon the withdrawal of the Tender Offer in accordance with Chapter 11, Section 12 of the SMA.

The Offeror in its sole discretion will decide on all other matters relating to the Tender Offer, subject to the requirements of applicable laws.

# 5. INFORMATION ON HOIVATILAT

*All financial and other information presented in this Tender Offer Document concerning Hoivatilat has been extracted from, and has been exclusively based upon, the audited consolidated financial statements published by Hoivatilat for the financial year ended 31 December 2018, the unaudited consolidated business review published by Hoivatilat for the nine-month period ended 30 September 2019, entries in the Finnish Trade Register and other publicly available information. The Offeror does not accept any responsibility whatsoever for such information except for the accurate restatement of such information herein.*

## 5.1 Hoivatilat in Brief

Hoivatilat is a public limited liability company (business identity code 2241238-0) incorporated under the laws of Finland. The shares in Hoivatilat are listed on the official list of Nasdaq Helsinki under the trading code "HOIVA". The registered domicile of Hoivatilat is Oulu and its address is Lentokatu 2, 90460 Oulunsalo, Finland. Hoivatilat is headquartered in Oulu, Finland and has offices in Espoo, Finland and Stockholm, Sweden.

Hoivatilat, founded in 2008, specialises in producing, developing, owning and leasing out day care centre and nursing home premises, service communities and, recently, also schools. Hoivatilat has been working in cooperation with approximately 60 Finnish municipalities and has launched a total of approximately 200 property projects throughout Finland and, as of 2019, also in Sweden.

In 2018, Hoivatilat reported revenues of approximately EUR 17.2 million, an operating result of approximately EUR 7.7 million and the aggregate value of Hoivatilat's property portfolio was approximately EUR 349 million.

## 5.2 Shares and Share Capital

On the date of this Tender Offer Document, Hoivatilat's share capital entered into the Finnish Trade Register amounted to EUR 80,000 and the number of shares to 25,439,229. Hoivatilat's articles of association do not include any provision on the minimum or maximum amount of share capital or number of shares.

Hoivatilat has one class of shares. The shares in Hoivatilat are registered in the book-entry securities system managed by Euroclear. Each share in Hoivatilat entitles its holder to one (1) vote at the general meeting of shareholders of Hoivatilat. All shares give equal rights to dividends and other distributions of funds or assets by Hoivatilat. Hoivatilat's articles of association do not contain provisions or restrictions on voting rights which would deviate from the Companies Act.

Hoivatilat's 2019 annual general meeting, held on 26 March 2019, approved the proposal by Hoivatilat's Board of Directors to distribute a dividend of EUR 0.17 per share. The dividend has been paid on 4 April 2019 and does not affect the Offer Price.

### 5.3 Ownership Structure

The following table sets forth the ten largest shareholders of Hoivatilat and their shareholdings on 31 October 2019 (ownership percentage calculated based on all shares in Hoivatilat).

| | Shareholder | Number of shares | % of shares |
|---|---|---|---|
| 1 | 2Care Capital Ab | 3,767,012 | 14.81 |
| 2 | OP Funds | 1,593,067 | 6.26 |
| 3 | Hintsala Eino | 941,439 | 3.70 |
| 4 | Pekkarinen Timo Jaakko | 896,489 | 3.52 |
| 5 | Milerosa Oy | 599,776 | 2.36 |
| 6 | Veritas Pension Insurance Company Ltd. | 450,000 | 1.77 |
| 7 | Hyväri Harri Tapani | 427,648 | 1.68 |
| 8 | Karjula Jussi Pekka | 361,916 | 1.42 |
| 9 | Kusinkapital Ab | 352,137 | 1.38 |
| 10 | Ahola Tuomas Veli | 312,754 | 1.23 |
| | **Top 10 total** | **9,702,238** | **38.14** |
| | Other shareholders | 15,736,991 | 61.86 |
| | Nominee Registered | 6,139,165 | 24.13 |
| | **Total** | **25,439,229** | **100** |

### 5.4 Treasury Shares

To the knowledge of the Offeror, Hoivatilat and its subsidiaries hold on the date of this Tender Offer Document 23,134 shares in Hoivatilat, representing approximately 0.09% of all shares and votes in Hoivatilat.

### 5.5 Option Rights and Special Rights Entitling to Shares

To the knowledge of the Offeror, Hoivatilat has not issued any option rights or special rights entitling to shares. As at the date of this Tender Offer Document, no information regarding such rights has been registered with the Finnish Trade Register.

Hoivatilat currently has one long-term share-based incentive plan (the "**LTIP**"). Under the LTIP, a maximum of 207,400 shares in Hoivatilat can be issued to participants of the plan. The LTIP is divided into two earning periods, the first of which runs from 1 June 2018 to 30 November 2019 and the second one from 1 June 2018 to 31 May 2021. The first earning period represents one-third and the second period two-thirds of the maximum reward pay-out. The gross reward based on the LTIP consists of a net grant of shares in Hoivatilat and a cash payment. The amount of the reward is based on total shareholder return of Hoivatilat's share (increase in share price and dividends) over the relevant earning period.

### 5.6 Authorisations

***Authorisations concerning repurchase of Hoivatilat's own shares***

Hoivatilat's annual general meeting held on 26 March 2019 authorised the Board of Directors to decide on repurchase and/or acceptance as pledge of own shares as follows:

A maximum of 500,000 of Hoivatilat's own shares can be repurchased and/or accepted as pledge. The authorisation allows the Board of Directors to repurchase Hoivatilat's own shares using unrestricted equity only. The authorisation grants Hoivatilat's Board of Directors the right to decide on the repurchase of own shares also in other ways than in proportion to the shareholders' shareholdings (directed repurchase). Own shares can be repurchased and/or accepted as pledge to limit the dilutive effect of share issuances carried out in connection with acquisitions, to improve the company's capital structure, to be used as consideration in possible acquisitions, for the company's incentive schemes or to be cancelled, provided that such repurchase is in the interest of the company and its shareholders.

The authorisation is effective until the end of the next annual general meeting, or until 30 June 2020 at the latest.

To the knowledge of the Offeror, the Board of Directors of Hoivatilat has not exercised the aforementioned authorisation.

***Authorisation concerning issuance of shares, disposal of own shares held by the company and issuance of other special rights entitling to shares***

Hoivatilat's annual general meeting held on 26 March 2019 authorised the Board of Directors to decide on the issuance of shares or disposal of own shares held by the company.

Based on the authorisation, the Board of Directors is entitled to issue up to 5,080,000 new shares or treasury shares on one or more occasions, corresponding to approximately 19.97% of the current total number of Hoivatilat shares.

Share issue(s) under the authorisation may also take the form of a directed issue in deviation from the shareholders' pre-emptive rights. The authorisation can also be used for company incentive schemes. Based on the authorisation, the Board of Directors is entitled to issue up to 250,000 shares as part of the incentive schemes of Hoivatilat. The Board of Directors is authorised to decide on the other terms and conditions related to issuing shares.

The authorisation is effective until the end of the next annual general meeting, or until 30 June 2020 at the latest.

Except for the issue of 63,400 shares in Hoivatilat to certain employees and members of management of Hoivatilat as part of Hoivatilat's existing long-term share-based incentive plan, as described in section "*Background, Objectives and Effects of the Tender Offer – Effects on Hoivatilat's Operations and Assets and on the Future Position of its Management and Employees*", to the knowledge of the Offeror, the Board of Directors of Hoivatilat has not exercised the aforementioned authorisation. Consequently, a total of 5,016,600 shares in Hoivatilat can still be issued under the aforementioned authorisation, 186,600 of which as part of the incentive schemes of Hoivatilat.

***Authorisations regarding dividends and other distributions of unrestricted equity***

The Board of Directors of Hoivatilat has not been authorised to decide on dividend distributions or other distributions of unrestricted equity.

### 5.7 Shareholders' Agreements and Other Agreements Concerning the Use of Voting Rights

The Offeror is not aware of any such shareholders' agreements or other agreements or arrangements relating to the use of voting rights or concerning the ownership in Hoivatilat which would have a material impact on the assessment of the Tender Offer.

### 5.8 Board of Directors, Managing Director and Auditor

Based on the provisions of the Companies Act and Hoivatilat's articles of association, responsibility for the supervision and management of Hoivatilat is divided between the general meeting of shareholders, the Board of Directors and the managing director.

According to Hoivatilat's articles of association, the Board of Directors consists of three (3) to seven (7) members. The composition of Hoivatilat's Board of Directors as of the date of this Tender Offer Document is as follows:

| | |
|---|---|
| Pertti Huuskonen | Chairman |
| Satu Ahlman | Member |
| Nathalie Clément | Member |
| Paul Hartwall | Member |
| Reijo Tauriainen | Member |
| Kari Nenonen | Member |

The managing director of Hoivatilat as of the date of this Tender Offer Document is Jussi Karjula.

The auditor of Hoivatilat as of the date of this Tender Offer Document is KPMG Oy Ab. The principal auditor is Authorised Public Accountant Antti Kääriäinen.

### 5.9 Articles of Association

An English language version of the articles of association of Hoivatilat are attached to this Tender Offer Document as Annex D (see "*Annex D: Articles of Association of Hoivatilat Plc*").

### 5.10 Business Results, Financial Position and Future Outlook

***Business Results and Financial Position***

Information on the assets, liabilities and business results of Hoivatilat during the financial year ended 31 December 2018 is available in the audited consolidated financial statements published by Hoivatilat attached to this Tender Offer Document as Annex B (see "*Annex B: Financial Statements of Hoivatilat Plc*").

Information on the assets, liabilities and business results of Hoivatilat for the nine-month period ended 30 September 2019 is available in the unaudited consolidated business review published by Hoivatilat attached to this Tender Offer Document as Annex C (see "*Annex C: Business Review Of Hoivatilat Plc*").

***Future Outlook***

Hoivatilat's future outlook has been described in the audited consolidated financial statements published by Hoivatilat for the financial year ended 31 December 2018 (see "*Annex B: Financial Statements of Hoivatilat Plc*") and in the unaudited consolidated business review published by Hoivatilat for the nine-month period ended 30 September 2019 (see "*Annex C: Business Review Of Hoivatilat Plc*").

# 6. INFORMATION ON THE OFFEROR

## 6.1 The Offeror in Brief

The Offeror is a Finnish limited liability company (business identity code 3092783-5) incorporated under the laws of Finland. Aedifica owns directly all shares in the Offeror. The Offeror's domicile is Helsinki, Finland, and its address is c/o Dittmar & Indrenius Attorneys Ltd., Pohjoisesplanadi 25 A, FI-00100 Helsinki, Finland. The Offeror has been incorporated for the purpose of functioning as a holding company for Aedifica's holding in Hoivatilat. The Offeror does not currently carry on any business and its current sole purpose is to function as a holding company for Aedifica's holding in Hoivatilat and to make the Tender Offer and take any actions necessary for completing the Tender Offer and possibly a subsequent Squeeze-Out under the Companies Act.

Aedifica is a regulated real estate company under Belgian law ("*openbare gereglementeerde vastgoedvennootschap*" / "*société immobilière réglementée publique*") (registration number 0877.248.501) listed on the Brussels Stock Exchange (regulated market of Euronext Brussels). Aedifica's registered address is Rue Belliard 40, 1040 Brussels, Belgium. Aedifica specialises in European healthcare real estate. For further information, see section "*Background, Objectives and Effects of the Tender Offer*" and www.aedifica.eu.

## 6.2 Persons related to the Offeror as Stipulated in Chapter 11, Section 5 of the SMA

The parties acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the SMA comprise the Aedifica group companies.

Neither the Offeror nor any party referred to in Chapter 11, Section 5 of the SMA has during the six-month period preceding the announcement of the Tender Offer acquired any shares or voting rights in Hoivatilat in public trading or otherwise. Since the Announcement until 7 November 2019, the Offeror has acquired a total of 26,432 Shares, representing approximately 0.1% of all of the Shares. Other than the aforementioned Shares, neither the Offeror nor any party referred to in Chapter 11, Section 5 of the SMA holds any shares in Hoivatilat.

## 6.3 Hoivatilat's Ownership in the Offeror

To the knowledge of the Offeror, Hoivatilat or any of its subsidiaries do not as at the date of this Tender Document own any shares or securities entitling to shares in the Offeror, in Aedifica or in any party acting in concert with any of them as referred to in Chapter 11, Section 5 of the SMA.

ANNEX A

## STATEMENT OF THE BOARD OF DIRECTORS OF HOIVATILAT PLC

HOIVATILAT

**HOIVATILAT PLC: STATEMENT OF THE BOARD OF DIRECTORS OF HOIVATILAT PLC REGARDING AUREIT HOLDING OY'S VOLUNTARY PUBLIC CASH TENDER OFFER FOR THE SHARES IN HOIVATILAT PLC**

Hoivatilat Plc

Stock exchange release 6 November 2019 at 8:05 AM EET

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO BELGIUM, CANADA, JAPAN, AUSTRALIA, SOUTH AFRICA OR HONG KONG OR IN ANY OTHER JURISDICTION IN WHICH THE TENDER OFFER WOULD BE PROHIBITED BY APPLICABLE LAW. FOR FURTHER INFORMATION, PLEASE SEE SECTION "IMPORTANT INFORMATION" BELOW.

**Statement of the Board of Directors of Hoivatilat Plc regarding Aureit Holding Oy's voluntary public cash tender offer for the shares in Hoivatilat Plc**

Hoivatilat Plc ("Hoivatilat") and Aedifica SA/NV ("Aedifica"), have on 4 November 2019 announced that Aedifica, through a wholly-owned subsidiary, Aureit Holding Oy ("Offeror"), will make a voluntary recommended public cash tender offer to purchase all the issued and outstanding shares in Hoivatilat which are not owned by Hoivatilat or any of its subsidiaries ("Tender Offer").

The Board of Directors of Hoivatilat issues the following statement concerning the Tender Offer in accordance with Chapter 11, Section 13 of the Finnish Securities Market Act (746/2012, as amended).

**The Tender Offer in brief**

Hoivatilat, Aedifica and the Offeror have on 4 November 2019 entered into a Combination Agreement (the "Combination Agreement") setting out, among other things, the main terms and conditions pursuant to which the Tender Offer will be made by the Offeror.

The Tender Offer will be made in accordance with the terms and conditions of a tender offer document which will be published by the Offeror on or about 11 November 2019 (hereinafter referred to as the "Tender Offer Document").

The consideration offered in the Tender Offer is EUR 14.75 in cash for each share validly tendered in the Tender Offer (the "Offer Price"). The Offer Price represents a premium of approximately:

- 16.1% compared to the closing price of the Hoivatilat share on Nasdaq Helsinki Ltd ("Nasdaq Helsinki") on 1 November 2019, the last trading day prior to the announcement of the Tender Offer;

- 25.7% compared to the volume-weighted average trading price of the Hoivatilat share on Nasdaq Helsinki during the three-month period preceding the date of the announcement of the Tender Offer;
- 33.2% compared to the volume-weighted average trading price of the Hoivatilat share on Nasdaq Helsinki during the six-month period preceding the date of the announcement of the Tender Offer; and
- 83.2% compared to the EPRA NAV based on the unaudited consolidated business review of Hoivatilat for the nine-month period ended 30 September 2019.

The Offer Price is subject to the terms and conditions of the Tender Offer. Should Hoivatilat change the number of issued and outstanding shares as a result of a new share issue (except the expected issuance of 63,400 shares pursuant to Hoivatilat's existing long-term share-based incentive plan), reclassification, share split (including a reverse split) or any other similar transaction with dilutive effect, or should Hoivatilat distribute a dividend or otherwise distribute funds or any other assets to its shareholders, or if a record date with respect to any of the foregoing shall occur prior to the completion of the Tender Offer, the Offer Price shall be adjusted accordingly on a euro-for-euro basis on the gross value declared or made, before the deduction of any withholding tax and/or any other applicable taxes.

The following major shareholders of Hoivatilat, 2Care Capital Ab, Timo Pekkarinen and Kusinkapital Ab, have irrevocably undertaken to accept the Tender Offer except in the event that a third party announces a competing offer for all issued and outstanding shares in Hoivatilat offering a consideration per share of at least EUR 16.00 (or the same cash equivalent in case of consideration other than cash) and fulfilling certain additional conditions, provided that the Offeror has not increased the Offer Price to match or exceed the consideration per Hoivatilat share under such competing offer within a time frame set out in the irrevocable undertakings. The major shareholders represent in the aggregate approximately 19.7% of the outstanding shares and votes of Hoivatilat.

The obligation of the Offeror to complete the Tender Offer will be conditional upon the satisfaction or, if permitted by applicable laws and regulations, waiver by the Offeror of certain customary conditions, including, among other things, the Offeror, together with Aedifica and any entities controlled by Aedifica, holding more than 90% of all issued and outstanding shares and votes in Hoivatilat calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act.

According to the Tender Offer Document, the Offeror plans to finance the Tender Offer through access to existing and new debt facilities of Aedifica, including a bridge facility agreement containing customary conditions, including a customary material adverse change clause regarding Aedifica and the Aedifica group. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing.

The offer period under the Tender Offer is expected to commence on or about 11 November 2019 and expire on or about 2 December 2019, unless the offer period is extended in accordance with the terms and conditions of the Tender Offer.

Should the Offeror obtain more than 90% of the total number of outstanding shares in Hoivatilat and the voting rights attached thereto, the Offeror intends to initiate squeeze-out proceedings under the Finnish Companies Act (624/2006, as amended) and thereafter cause Hoivatilat to apply for the delisting of its shares from Nasdaq Helsinki as soon as permitted and reasonably practicable under applicable laws and regulations.

At the time of the announcement of the Tender Offer, neither the Offeror nor any party acting in concert with it as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act holds any shares or voting rights in Hoivatilat.

The terms and conditions of the Tender Offer as well as background and reasons for the Tender Offer will be included in more detail in the Tender Offer Document which the Offeror expects to publish on or about 11 November 2019.

**Statement of the Board of Directors**

**1. Background for the statement**

Pursuant to the Finnish Securities Market Act, the Board of Directors of Hoivatilat must prepare a public statement regarding the Tender Offer.

The statement must include a well-founded assessment of the Tender Offer from the perspective of Hoivatilat and its shareholders as well as of the strategic plans and their likely effects on the operations and employment of Hoivatilat as presented by the Offeror in the Tender Offer Document.

For the purposes of issuing this statement, the Offeror has submitted to the Board of Directors of Hoivatilat the draft version of the Finnish language Tender Offer Document in the form in which the Offeror has filed it with the Finnish Financial Supervisory Authority for approval on 4 November 2019.

In preparing its statement, the Board of Directors of Hoivatilat has relied on information provided in the draft Tender Offer Document by the Offeror and has not independently verified this information. Accordingly, the Board of Directors' assessment of the consequences of the Tender Offer on the company's operations and employees should be treated with caution.

**2. Assessment regarding strategic plans presented by the Offeror and their likely effects on the operations of and employment at Hoivatilat**

**Information given by Aedifica and the Offeror in the Tender Offer Document**

The Board of Directors of Hoivatilat has assessed Aedifica's strategic plans based on the statements in the draft Tender Offer Document.

According to the Tender Offer Document, Aedifica, incorporated in 2005, is a regulated real estate company under Belgian law (Belgian REIT) specialised in European healthcare real estate. Aedifica has developed a portfolio of more than 260 sites in Belgium, Germany, the Netherlands and the United Kingdom with a total value of approximately EUR 2.3 billion. Further, according to the Tender Offer Document, Aedifica has established itself in recent years as a reference in the European listed real estate sector and has an ambition to further expand its position in the coming years. Aedifica is stock-listed on the Brussels Stock Exchange (regulated market of Euronext Brussels) under the trading code "AED", and currently has a market capitalization of approximately EUR 2.6 billion.

According to the Tender Offer Document, the Offeror is a limited liability company incorporated under the laws of Finland. The Offeror is a wholly-owned subsidiary of Aedifica. Further, according to the Tender Offer Document, the Offeror has been incorporated for the purpose of functioning as a holding company for Aedifica's holding in Hoivatilat. According to such statements, the background for the Tender Offer is that Aedifica sees Hoivatilat as an attractive partner for entering into the well-established Nordic healthcare market through an experienced company and team and thus for expanding its business to care markets, for which Aedifica sees the outlook as highly supportive. Furthermore, Aedifica sees that the transaction will allow for the combination of Aedifica's growth track record based on a buy-and-hold strategy with Hoivatilat's growth track record based on a build-and-hold strategy and will hence support the combined group's future growth in the Nordics.

Further, according to the Tender Offer Document, Aedifica has at present no interests or activities in the Nordic region of Europe. However, given Aedifica's long-term strategy as a European pure play health care real estate REIT, Finland and the Nordic region in general is clearly of strategic interest to Aedifica. According to the Tender Offer Document, Hoivatilat will play an important role in Aedifica's strategic development in the Nordics. Furthermore, Aedifica sees that Hoivatilat will become the group's bridgehead in the Nordics with the aim to (continue to) build, maintain and expand a prime real estate portfolio in this region that fits within the long-term investment horizon that is typical of Aedifica's strategic view on healthcare and social real estate.

Further, in the Tender Offer Document, the anticipated impact of the contemplated transaction on Hoivatilat is summarized as follows:

- Maintaining Hoivatilat, its team and its corporate identity and reputation in the Finnish and Swedish market is clearly the first objective: it is Aedifica's intention to integrate Hoivatilat and its team within the Aedifica group, but to keep the company as a separate corporate entity with respect for its corporate identity and reputation, which in Aedifica's view is crucial to keep the confidence of Hoivatilat's main stakeholders, specifically Hoivatilat's team and the Finnish and Swedish municipalities and operators.
- Support Hoivatilat's future growth: Hoivatilat will, as a subsidiary within the Aedifica group, benefit from the group's knowhow and experience as a European real estate investor in building and financing a prime real estate portfolio and will

benefit from the group's reputation amongst international investors and hence access to the equity markets in order to finance its future growth in the Nordic markets.
- Introducing a buy-and-hold strategy: it is Aedifica's clear intention to support Hoivatilat in the execution of its actual build-and-hold strategy; however, the group could enhance the growth of Hoivatilat by introducing and supporting also a buy-and-hold strategy as complementary to the existing build-and-hold strategy.

According to the Tender Offer Document, as Aedifica does not have any other business activities in Finland and the Offeror intends for Hoivatilat to continue to operate as a separate entity under Aedifica and to retain Hoivatilat's head office in Oulu after the completion of the Tender Offer. Based on the information given by the Offeror in the Tender Offer Document, the Tender Offer is not expected to have any immediate material effect on Hoivatilat's operations, assets or location of offices, or the position of its management or employees, or relations with its customers and partners.

Hoivatilat has in 2018 established a long-term share-based incentive plan, divided into two earning periods expiring on 30 November 2019 and on 31 May 2021 respectively. As a consequence of the Tender Offer, the Board of Directors of Hoivatilat has decided to issue the maximum number of 63,400 shares to the participants based on the first earning period under the incentive plan, by virtue of the authorisation granted by Hoivatilat's annual general meeting on 26 March 2019, promptly and, to the extent reasonably practicable, at least two weeks prior to the initial expiration date of the offer period, in order to allow the participants to tender such shares in the Tender Offer. According to the Tender Offer Document, the issue of the 63,400 award shares does not affect the Offer Price. The Board of Directors of Hoivatilat has further decided that upon the Offeror acquiring more than 90% of the issued and outstanding shares and voting rights in Hoivatilat, the participants of the second earning period of the incentive plan will not be awarded a cash compensation provided that they are all instead offered a possibility to participate in a new share-based incentive plan, the terms and conditions of such replacing plan to be fair and equitable compared to the existing incentive plan and to be determined separately once the Offeror has acquired more than ninety percent (90 %) of the issued and outstanding shares and voting rights in Hoivatilat.

**Board assessment**

The Board of Directors of Hoivatilat shares the view, as presented in the Tender Offer Document, that Hoivatilat will, as a subsidiary within the Aedifica group, benefit from the group's knowhow and experience as a European real estate investor in building and financing a prime real estate portfolio and will benefit from the group's reputation amongst international investors and hence the group's access to the equity markets in order to finance its future growth in the Nordic markets. The Board of Directors believes that the strategic plans of the Offeror pursuant to the draft Tender Offer Document would not have any immediate material effect on Hoivatilat's operations, assets or location of offices, or the position of its management or employees, or relations with its customers and partners.

The Board of Directors of Hoivatilat foresees the combination as a logical and positive next step in Hoivatilat's growth story. In the view of the Board of Directors, the new owner brings in strong financial resources and extensive European experience in care housing, which will support Hoivatilat's future growth in Finland and Sweden. Further, the Board of Directors sees that Aedifica is a natural partner for Hoivatilat due to highly complementary competences and a shared strategic vision about the future. The Board believes that the combined group could offer new possibilities for Hoivatilat's employees, given Aedifica's intentions to grow the business. Furthermore, the Board of Directors considers that the Offer Price and credibility of Aedifica as an investor, supports the Offeror's ability to gain control of more than 90 per cent of the shares and successfully complete the Tender Offer.

Although the strategic plans and intentions of Aedifica have been provided only on a general level, the Board of Directors believes that the completion of the Tender Offer would not have any immediate material effects on the employment of Hoivatilat's current employees. The Board notes that the Tender Offer may have an effect on employment in Hoivatilat with regard to duplicative functions. The Board believes, however, that the final and longer-term impact of the integration can be assessed only after the completion of the Tender Offer.

On the date of this statement the Board of Directors of Hoivatilat has not received any formal statement as to the effects of the Tender Offer to the employments at Hoivatilat from the company's employees.

## 3. Assessment of the Board of Directors from the perspective of Hoivatilat and its shareholders

### Introduction

In evaluating the Tender Offer, analyzing alternative opportunities available to Hoivatilat and concluding on its statement, the Board of Directors has considered several factors, such as Hoivatilat's recent financial performance, current position and future prospects, and the historical trading price of Hoivatilat's share.

The Board of Directors' assessment of continuing the business operations of Hoivatilat as an independent company has been based on reasonable future-oriented estimates which include uncertainties, whereas the Offer Price and the premium included therein are not subject to any uncertainty other than the fulfillment of the conditions to completion of the Tender Offer.

In order to support its assessment of the Tender Offer, the Board of Directors of Hoivatilat has received a fairness opinion regarding the Tender Offer (the "Fairness Opinion") from Hoivatilat's financial advisor, Danske Bank A/S, Finland Branch ("Danske Bank"). The Fairness Opinion, subject to the assumptions and qualifications set out therein and dated 3 November 2019, states that the Offer Price, from a financial point of view, is believed to be fair. The Fairness Opinion is attached as Appendix 1 to this statement.

**Board assessment**

The Board of Directors of Hoivatilat has carefully evaluated the Tender Offer and its terms and conditions based on the draft Tender Offer Document, the Fairness Opinion and other available information.

The Board of Directors of Hoivatilat believes that the Offer Price offered by the Offeror for the shares is fair to Hoivatilat's shareholders based on an assessment of the issues and factors which the Board of Directors has concluded to be material in evaluating the Tender Offer. These include, amongst other factors:

- the Offer Price and premium being offered for the shares;
- the fact that the Offer Price will be paid fully in cash;
- historical trading price of the Hoivatilat shares;
- the information and assumptions on the business operations and finances of Hoivatilat at the date of this statement and their expected future development;
- the valuation multiples of Hoivatilat shares before the announcement of the Tender Offer;
- the support for the Tender Offer by certain large shareholders of Hoivatilat as referred to above;
- valuations and analysis made and commissioned by the Board of Directors as well as discussions with external financial advisor; and
- Danske Bank's Fairness Opinion.

The Board of Directors has concluded that Hoivatilat would also have viable opportunities to develop its business as an independent company for the benefit of Hoivatilat and its shareholders. However, taking into consideration the risks and uncertainties associated with such stand-alone approach, the Board of Directors has concluded that the Tender Offer is a favorable alternative for the shareholders. The Board of Directors also notes that the Tender Offer provides immediate value to the shareholders of Hoivatilat.

The Board of Directors of Hoivatilat has thus concluded that the Tender Offer is in the best interests of Hoivatilat's shareholders and a more favorable alternative for the shareholders of Hoivatilat compared to continuing the business operations of Hoivatilat as an independent company and other potential strategic alternatives reviewed by the Board of Directors.

## 4. Recommendation of the Board of Directors

Based on the foregoing, the Board of Directors unanimously recommends that the shareholders of Hoivatilat accept the Tender Offer.

All members of the Board of Directors have participated in the decision making concerning the statement. The evaluation of independence of the members of the Board of Directors is available on the website of Hoivatilat.

This statement shall not be considered to constitute investment or tax advice. The Board of Directors is not evaluating or expressing its view on the general price development of the shares or risks relating to investments in general. Hoivatilat's shareholders shall independently make their decision on whether to accept the Tender Offer by taking into account all information to be presented in the Tender Offer Document, this statement of the Board of Directors, as well as other information that may impact the value of the shares and the circumstances of each individual shareholder.

The Board of Directors of Hoivatilat notes that the combination of Hoivatilat's and Aedifica's operations will, in addition to synergy benefits, pose challenges to both parties, and the combination may, as is common in such processes, involve unforeseeable risks.

The Board of Directors of Hoivatilat notes that the shareholders of Hoivatilat should also take into account the risks related to non-acceptance of the Tender Offer.

Provided that Aedifica waives the acceptance condition of 90 per cent of the shares and votes, the completion of the Tender Offer would reduce the number of Hoivatilat shareholders and the number of shares, which would otherwise be publicly traded on Nasdaq Helsinki. Depending on the number of shares validly tendered in the Tender Offer, this could have an adverse effect on the liquidity and value of the shares.

Pursuant to Chapter 18 of the Finnish Companies Act (624/2006, as amended), a shareholder with more than 90 per cent of all shares and votes in a company shall have the right to acquire, and subject to a demand by the other shareholders also be obligated to redeem, the shares owned by the other shareholders. The shares held by Hoivatilat's shareholders who have not accepted the Tender Offer may be redeemed through compulsory redemption proceedings under the Finnish Companies Act under the conditions set out therein. The value of the potential cash consideration received through such redemption proceedings may deviate from the Offer Price offered by the Offeror in the Tender Offer.

Aedifica, the Offeror and Hoivatilat have undertaken to comply with the Helsinki Takeover Code published by the Securities Market Association.

Hoivatilat is being advised by Danske Bank as financial advisor and Roschier, Attorneys Ltd. as legal advisor.

THE BOARD OF DIRECTORS OF HOIVATILAT PLC

Appendix 1 Fairness Opinion

**Further information:**

Pertti Huuskonen, Chairman of the Board, Hoivatilat Plc, tel. +358 40 068 0816

Jussi Karjula, CEO, Hoivatilat Plc, tel. +358 40 773 4054

**Hoivatilat in brief:**

Hoivatilat Plc specialises in producing, developing, owning and leasing out nursing homes, day care centres and service communities. Founded in 2008, the company has been working in cooperation with as many as 60 Finnish municipalities and has launched 200 property projects throughout Finland and in Sweden. www.hoivatilat.fi

**Distribution:**

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www.hoivatilat.fi

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THIS STOCK EXCHANGE RELEASE HAS BEEN PREPARED IN COMPLIANCE WITH FINNISH LAW, THE RULES OF NASDAQ HELSINKI AND THE HELSINKI TAKEOVER CODE AND THE INFORMATION DISCLOSED MAY NOT BE THE SAME AS THAT WHICH WOULD HAVE BEEN DISCLOSED IF THIS ANNOUNCEMENT HAD BEEN PREPARED IN ACCORDANCE WITH THE LAWS OF JURISDICTIONS OUTSIDE OF FINLAND.

**Notice to U.S. Shareholders**

U.S. shareholders are advised that the Shares are not listed on a U.S. securities exchange and that Hoivatilat is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934 (the "Exchange Act") and is not required to, and does not, file any reports with the U.S. Securities and Exchange Commission (the "SEC") thereunder. The Tender Offer is made to Hoivatilat's shareholders resident in the United States on the same terms and conditions as those on which it is made to all other shareholders of Hoivatilat to whom an offer is made. Any information documents, including the Tender Offer Document, are being disseminated to U.S. shareholders on a basis comparable to the method that such documents are provided to Hoivatilat's other shareholders.

The Tender Offer is made for the issued and outstanding shares in Hoivatilat, which is domiciled in Finland. Information distributed in connection with the Tender Offer is subject to the disclosure requirements of Finland, which are different from those of the United States. In particular, the financial statements and financial information to be included in the Tender Offer Document have been prepared in accordance with applicable accounting standards in Finland, which may not be comparable to the financial statements or financial information of U.S. companies.

It may be difficult for Hoivatilat's shareholders to enforce their rights and any claims they may have arising under the federal securities laws, since the Offeror and Hoivatilat are located in non-U.S. jurisdictions, and all of their respective officers and directors are residents of non-U.S. jurisdictions. Hoivatilat's shareholders may not be able to sue the Offeror or Hoivatilat or their respective officers or directors in a non-U.S. court for violations of the U.S. securities laws. It may be difficult to compel the Offeror and Hoivatilat and their respective affiliates to subject themselves to a U.S. court's judgement.

The Tender Offer is made in the United States pursuant to Section 14 (e) and Regulation 14E under the Exchange Act as a "Tier II" tender offer, and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

To the extent permissible under applicable law or regulations, the Offeror and its affiliates or brokers (acting as agents for the Offeror or its affiliates, as applicable) may from time to time, and other than pursuant to the Tender Offer, directly or indirectly, purchase or arrange to purchase, Shares or any securities that are convertible into, exchangeable for or exercisable for such Shares. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. -shareholders of Hoivatilat of such information. In addition, the financial advisors to the Offeror may also engage in ordinary course trading activities in securities of Hoivatilat, which may include purchases or arrangements to purchase such securities.

The receipt of cash pursuant to the Tender Offer by a U.S. shareholder may be taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each shareholder is urged to consult its independent professional adviser immediately regarding the tax consequences of accepting the Tender Offer.

Neither the SEC nor any U.S. state securities commission has approved or disapproved the Tender Offer, or passed any comment upon the adequacy or completeness of the Tender Offer Document. Any representation to the contrary is a criminal offence in the United States.

**Attachment**

Appendix 1. Fairness Opinion

**Strictly private and confidential**

Danske Bank

The Board of Directors
Hoivatilat Oyj
Lentokatu 2
90460 Oulu, Finland

3 November 2019

Dear members of the board,

To our understanding, Aureit Holding Oy (the "Offeror"), a Finnish liability company wholly owned by Belgian public limited liability company Aedifica SA/NV ("Aedifica") and Hoivatilat Oyj ("Hoivatilat" or "Company") are considering entering into a combination agreement (the "Combination Agreement") pursuant to which the Offeror will make a voluntary public cash tender offer (the "Offer" or the "Transaction") to purchase all of the issued and outstanding shares in Hoivatilat that are not owned by Hoivatilat or any of its subsidiaries (the "Outstanding Shares") for a cash consideration of EUR 14.75 per share (the "Offer Price").

In connection with the Transaction, you have asked Danske Bank Corporate Finance (Department of Danske Bank A/S, Finland Branch) ("Danske Bank") to render an opinion in relation to the fairness of the Offer Price from a financial point of view, prepared based on the method of opinion described below.

Danske Bank has acted as financial advisor to the Company in connection with the Transaction and will receive a fee for its services, including rendering this opinion ("Fairness Opinion").

Please be advised that while certain provisions of the Transaction are summarized above, the terms of the Transaction are more fully described in the Offer Document. As a result, the description of the Transaction and certain other information contained herein is qualified in its entirety by reference to the more detailed information appearing or incorporated by reference in the Offer Document.

**Method of opinion**

This Fairness Opinion has been prepared based on principles, which we, applying our best professional judgement, have deemed adequate and reasonable.

For the purposes of this Fairness Opinion we have primarily, but not only, based our valuation of the Company on (i) multiples applied for companies which we in each case have deemed comparable to the Company (ii) a cash flow based analysis and (iii) multiples applied in transactions which we in each case have deemed relevant and comparable to the Transaction.

Our opinion does not address the relative merits of the Transaction as compared to other business strategies or Transactions that might be available with respect to the Company or the underlying business decision of the Board of Directors of the Company to recommend the Transaction.

## Basis of opinion

In rendering this Fairness Opinion, we have, among other things:

i. Reviewed certain publicly available business and historical financial information relating to the Company;

ii. Reviewed audited financial statements of the Company;

iii. Reviewed current and historic share price and net asset value of the Company;

iv. Reviewed publicly available financial and stock market information with respect to certain companies operating in the real estate sectors which we believe to be generally comparable to those of the Company;

v. Reviewed publicly available information regarding the Company, such as, research publications and price targets for the Company;

vi. Reviewed certain internal financial information including budgets and financial forecasts for the Company by the date of this Fairness Opinion;

vii. Conducted discussion with, and relied on statements made by members of the senior management of the Company concerning the business, financial forecasts and financial position of the Company;

viii. Compared the Offer Price of the Transaction with the publicly available financial terms of certain other transactions which we believe to be generally relevant;

ix. Reviewed drafts of the Transaction documents; and

x. Conducted other financial studies, analyses and considered other information, as we have deemed necessary and appropriate.

## Assumptions

In rendering this Fairness Opinion, we have relied upon and assumed, without independent analysis or verification:

a) the accuracy and completeness of the Information, and we have assumed no responsibility for independently verifying the accuracy and completeness of the Information or any part thereof;

b) that Hoivatilat has submitted to us any and all information which to the best of Hoivatilat's knowledge and belief has or might have an impact on our valuation of the Company or this Fairness Opinion; and

c) that parties of the Transaction have received qualified legal advice regarding all relevant legal matters, and that, *inter alia*, such advice has been into account in the commercial assessments.

**Qualifications**

This Fairness Opinion is subject to the following qualifications:

In the ordinary course of our business, Danske Bank may actively trade the debt securities of Hoivatilat and derivatives hereof, for our own account, and for the accounts of customers, and accordingly, may at any time hold a long or short position in such securities.

This Fairness Opinion is based on economic, market, regulatory and other conditions in effect on 3 November 2019, and the information made available to us until that date. It should be pointed out that subsequent developments may have an impact on the valuation of the Company, but we are not under an obligation to update, revise or reconfirm this Fairness Opinion.

We have not verified the Information received or any other information. We have not controlled the consistency of and completeness and accuracy of the Information and any other information received or obtained.

This Fairness Opinion contains subjective elements and reflects our best financial assessment.

We do not provide legal, technical, accounting or tax advice, nor are we actuaries and our services do not include actuarial determinations or evaluations, nor did we make an attempt to evaluate any actuarial assumptions. In addition, we have not reviewed any individual credit files nor have we made any independent evaluation or appraisal of the assets and liabilities of the Company, or any of its subsidiaries, and we have not been furnished with any such evaluation or appraisal. In that regard, we express no opinion as to the adequacy of the provisions of the Company, or any of its subsidiaries.

We have excluded from our analysis any consideration of the tax implications of the Transaction for any of the parties of the Transaction.

**Governing law; Arbitration**

Any dispute arising out of, or relating to, this Fairness Opinion shall be construed in accordance with and governed by the laws of the Republic of Finland and shall be finally settled by arbitration in accordance with the rules of the Arbitration Rules of the Finland Chamber of Commerce by three arbitrators. The arbitration procedure shall take place in Helsinki and shall be carried out in the English language, if so requested by a party.

**Reliance**

Our advisory services and the opinion expressed herein are provided solely for the information and assistance of the Board of Directors of Hoivatilat in connection with its assessment of the Transaction and may not, without our prior written consent, be relied upon by Hoivatilat for any other purpose or be or relied upon by any person other than Hoivatilat's board members.

**Conclusion**

**Based upon and subject to the content of this letter and based upon such other matters, as we consider relevant, it is our opinion that at the date of rendering this Fairness Opinion, the consideration to be offered to the shareholders is fair from a financial point of view**

Yours faithfully,
DANSKE BANK A/S, Finland Branch
Corporate Finance

Pekka Hiltunen
Head of Corporate Finance

Veli-Matti Ekman
Managing Director

# FINANCIAL STATEMENTS OF HOIVATILAT PLC

# Financial Statements and Board of Directors' Report

# Annual Report of the Board of Directors

Suomen Hoivatilat specialises in producing, developing, owning and leasing out kindergarten and nursing home premises, schools and service communities. Hoivatilat, established in 2008, cooperates with as many as 60 Finnish municipalities. It has started over 180 real estate projects throughout Finland. In 2016, the Company was listed on the Nasdaq First North Finland market maintained by Nasdaq Helsinki Oy. In March 2017, it was listed on Nasdaq Helsinki's main market.

At the end of the financial period on 31 December 2018, the Hoivatilat Group consisted of Suomen Hoivatilat Oyj and 131 subsidiary companies. The Group's operational activities are concentrated in the parent company. The subsidiaries are mutual real estate companies, all wholly owned by the parent company.

### Financial guidance for 2019

Hoivatilat expects its total revenue to be around EUR 23 million in 2019. Its operating result is estimated to be around 40% of revenue. The fair value of investment properties at the end of 2019 is estimated to be EUR 440–470 million. The guidance is based on the assumption that, in 2019, the company will not make significant purchases or sales of completed investment properties, and that the market yields used in the valuation of real estate will remain at their current level.

### Significant events during the financial year

A total of 36 (34) properties were completed during the financial year: four in the Uusimaa region, four in the Turku region, three in the Iisalmi, Jyväskylä, Lahti and Oulu regions, two in Ylivieska and two in Mikkeli. Individual projects were also completed in Tampere, Turku, Hämeenlinna, Eura, Kajaani, Kalajoki, Lappeenranta, Pori, Raahe, Rovaniemi, Sastamala, Sotkamo, Uusikaupunki, Varkaus and Vaasa.

The Board decided to issue stock options to key personnel. These options were used to subscribe for 150,370 new shares in the company at a subscription price of EUR 0.01 per share. The decision to issue the options was based on the authorisation given to the company's Board of Directors at the Annual General Meeting on 18 February 2016, and on the terms and conditions of the company's existing share reward system. The stock options have been issued to encourage and maintain the commitment of the company's personnel and management. The company therefore had a weighty financial reason to issue share options. Shares subscribed for with options may not be released until the end of the vesting period, on 31 December 2019.
*(Stock exchange release 28 February 2018)*

In April 2018, Hoivatilat agreed EUR 50 million in long-term financing with the European Investment Bank (EIB). The first loan of EUR 30 million was signed for at the same time. The financing agreed with the EIB, with other bank financing, enables a project portfolio of approximately EUR 100 million to be implemented.
*(Stock exchange release 23 April 2018)*

The company's Board of Directors decided to establish a subsidiary in Sweden. Maria Frid started as the CEO of Hoivatilat Ab at the beginning of September 2018.
*(Stock exchange release 5 June 2018)*

The company launched a new product category: prefabricated day-care centres. The first prefabricated day-care centre was completed in Raahe at the end of 2018.
*(Stock exchange release 13 June 2018)*

In June, the company announced that it would implement the Kuopio Portti project in the city centre of Kuopio. A total of 65 residential care and assisted living apartments will be built and owned by Suomen Hoivatilat Oyj in the form of real estate company.
*(Stock exchange release 13 June 2018)*

Hoivatilat sold a portfolio of seven properties in August 2018. The debt-free purchase price was EUR 16.4 million, with a sales gain of around EUR 1.0 million.
*(Stock exchange release 30 August 2018)*

The first school project started in Siilinjärvi. The school is expected to be completed in August 2019, with the municipality of Siilinjärvi as the tenant.
*(Stock exchange release 17 September 2018)*

Sales Director Antti Kurkela announced that he would leave the company on 1 February 2019. The company immediately started the recruitment of a new sales director, with CEO Jussi Karjula as the temporary head of the customer relationship team.
*(Stock exchange release 4 December 2018)*

| GROUP'S KEY FIGURES | | |
|---|---|---|
| EUR 1000 | **IFRS Group 31 Dec 2018** | **IFRS Group 31 Dec 2017** |
| Total revenue | 17,182 | 12,373 |
| Operating profit | 48,480 | 33,317 |
| Profit for the financial year | 37,003 | 25,504 |
| Operational result | 7,663 | 5,436 |
| Sum total on the balance sheet | 364,288 | 258,071 |
| NAV, EUR thousand | 185,304 | 143,346 |
| NNAV, EUR thousand | 161,937 | 129,136 |
| Equity ratio, % | 44.5% | 50.1% |
| Loan-to-value (LTV), % | 45.6% | 40.6% |
| Net gearing, % | 98.2% | 77.6% |
| Return on equity, % | 25.4% | 25.0% |
| Earnings per share (undiluted), EUR | 1,46 | 1,05 |
| Earnings per share (diluted), EUR | 1,45 | 1,04 |
| Dividend per share* | 0,17* | 0,13 |
| Operational result per share, EUR | 0,30 | 0,22 |
| NAV/share, EUR | 7,28 | 5,67 |
| NNAV/share, EUR | 6,37 | 5,11 |
| Net return, % | 6.15% | 6.46% |
| Value of the agreement portfolio** | 426,953 | 316,046 |
| Average maturity of the agreement portfolio (years) | 14,9 | 14,4 |
| Economic occupancy rate, % | 100% | 100% |
| Number of shares adjusted for the share issue at the end of the period | 25,439,229 | 25,288,859 |
| Average number of shares adjusted for the share issue during the period | 25,414,511 | 24,228,585 |
| Average number of shares adjusted for the share issue during the period, diluted | 25,491,042 | 24,408,357 |
| Number of employees at the end of the period | 19 | 15 |
| Average number of personnel during the period | 17 | 13 |

* Proposal of the Board of Directors
** Future rental cash flow from the company's leases and letters of intent without index increases

## Operating environment – focus on ageing and the health and social services reform

Urbanisation is increasing and the population is ageing in both Europe and Finland. Over the past two decades, the population of the Helsinki-Uusimaa region has increased by almost 500,000 people. Approximately 70 per cent of the country's population is already living in and around the 14 largest towns and cities. Finland has the most rapidly ageing population in Europe. The number of people aged over 75 will nearly double over the next two decades. At the end of 2017, the number of people aged over 75 in Finland was 502,000, and this is predicted to increase to 925,000 by the end of 2040 (stat.fi). The trend is very similar in Sweden: the number of people aged over 75 will increase by 50 per cent by 2030.

In recent years, the health and social services reform has been one of the most debated issues in Finland. Its key goal is to ensure good services to everyone in the ageing and urbanising Finland. In addition, the reform is expected to bring cost savings of around EUR 3 billion in the future. The laws related to the combined regional government reform and health and social services reform are currently being processed by the Finnish parliament. The statement of The Constitutional Law Committee of the Parliament of Finland is currently being awaited.

During the combined regional government reform and health and social services reform, new regions will be established, new tasks will be assigned to the regions, and the structure and funding of health and social services will be reformed. The reform is intended to come into effect on 1 January 2021. With the reform, responsibility for health and social services, rescue operations and growth services will transfer to the regions.

The Freedom of Choice Act is a part of the health and social services reform. The purpose of the act is to enable social welfare and healthcare customers to choose their service provider and to improve the availability and quality of services. With the population ageing, the need for housing and nursing services will increase strongly, and both private and third sector service providers play, and will continue to play, a key role. This trend is likely to gain momentum, regardless of whether or not the health and social services reform is implemented in its intended form.

The state and municipal portfolio of education, culture, social services and healthcare properties includes a large number of old buildings nearing the end of their life cycle, as well as properties with indoor air problems and a maintenance backlog that require renovation.

Hoivatilat estimates that the following market trends identified by the company will support its growth:

- Ageing population and the weakening dependency ratio
- Urbanisation and centralisation of the population
- Increased debt in the public sector
- Service structure reform in social welfare and healthcare services
- The state of day-care and school properties in the culture and education market
- Increased use of service vouchers in early education services

## Financial operating environment

The Ministry of Finance forecasts that GDP growth in Finland will slow to 1.5 per cent in 2019. With trade obstacles increasing, global trade will also slow, which will be reflected in exports and investment expectations. Investment growth is expected to slow markedly in 2019, due to a decline in construction investments in particular. Economic growth will continue to slow to 1.3 per cent in 2020 and to less than 1 per cent over the medium term thereafter.

According to the RAKSU group, which studies business cycles in the construction sector, the number of new projects in construction subsectors other than residential construction will begin to decrease in 2019, despite industrial investment. The cubic volume of building permits for commercial properties decreased particularly strongly in 2018. However, many major projects are still in progress, and their construction continues in 2019.

The cubic volume of building permits for properties other than residential buildings decreased by 10 per cent in January–November 2018 year-on-year. However, the cubic volume of building permits for public service buildings and industrial buildings increased compared with the previous year. Public service construction – including hospitals and schools, for example – continues to grow, with an increase of 6 per cent in the cubic volume of building permits in January–November 2018 compared with the previous year. Schools and hospitals have higher unit prices, with a long-lasting effect on construction volumes.

Interest rates are expected to remain low in the near future. The Bank of Finland predicts that interest rates will increase slightly over the next few years. According to its forecast, short-term interest rates will remain negative or at zero level for 2019–2020, and ten-year bond interest rates will remain at around 1%. In its report issued in December, the Bank of Finland states that the most rapid period of growth is over in Finland, although growth will continue for the next three years.

*Sources: Economic review, 19 December 2018, at vm.fi and eurojatalous.fi on 19 January 2019.*

## Research and development

During the 2018 financial year, Hoivatilat invested particularly strongly in new concept development. The first modular, movable day-care facilities were developed and implemented in Raahe, and a school project in line with the same concept is in progress in Mikkeli.

The service community concept was further developed during the year. Customers, designers, operators and municipal representatives were included in the development work. Toiveiden kortteli concept, which was developed at various workshops, was launched at the Kuntamarkkinat municipal fair in September 2018. This concept will be used to implement a service community for the Housing Fair Finland event in Tuusula in the summer of 2020, to name just one example.

Development work to reduce the lifetime energy costs of properties continued during the year. In addition to the earlier adoption of intelligent heating and lighting systems, day-care facilities with intelligent ventilation systems were completed in 2018. In need-based, facility-specific ventilation, sensors measure the carbon dioxide content and temperature of a space, and controllers make it possible to maintain good air quality throughout the day.

During the year, significant development work was also carried out to improve the efficiency of the company's internal processes. The Salesforce system was introduced for coordinating construction projects and managing them by information.

# FINANCIAL REVIEW 1 JANUARY–31 DECEMBER 2018

**Financial development**

The Group's revenue was EUR 17.2 (12.4) million, representing an increase of 38.9% year-on-year. The revenue consisted entirely of rental income. The increase in revenue was mostly due to considerable growth over the past 12 months in the number of properties that the company has leased.

The income from measuring properties at fair value was EUR 35.6 (25.1) million in the review period, and gains from divestments of investment properties totalled EUR 1.0 (0.0) million. The fair values of completed investment properties increased, mainly due to a decrease in the required rate of return and an increase in net rental income. The fair values of investment properties that were completed or under construction during the review period increased due to a decrease in the required rate of return, increased project completion rates and development margins recognised according to the level of completion. Due to the decrease in the required rate of return in the market, the company's net return in proportion to the fair value of its properties decreased by 0.31 percentage points during the financial year (from 6.46% to 6.15%). In the comparison period, the company's net return in proportion to its properties decreased by 0.46 percentage points (from 6.92% to 6.46%).

The net rental income for the review period was EUR 15.9 (11.4) million, representing an increase of 39.7%. At the end of the review period, the company had 120 (90) completed properties generating rental cash flow. Their net income rate was 6.15% (6.46%). The decrease in the net rental income rate was mostly due to a decrease in the required rates of return used in measuring the value of investment properties.

Property maintenance expenses totalled EUR -1.3 (-1.0) million. Property maintenance expenses increased by 29.2% year-on-year. The increase is mostly explained by an increase in the property portfolio compared with the corresponding period of the previous year.

Expenses arising from employment benefits were EUR -2.5 (-1.9) million, representing an increase of 30.0%. The average number of employees was 17 (13) during the review period. Administrative expenses were EUR -1.9 (-1.2) million, representing an increase of 51.4% compared with the previous year. The increase was due to investments in future growth in Finland and Sweden and in project development in particular.

The operating profit was EUR 48.5 (33.3) million, with an increase of 45.5%.

Net financial income and expenses were EUR -2.1 (-1.4) million. Taxes based on the taxable income for the review period were EUR -0.0 (-0.3) million, and deferred taxes mainly due to the changes in the fair values of properties amounted to EUR -9.4 (-6.1) million.

The net profit for the period was EUR 37.0 (25.5) million, showing an increase of 45.1% from the previous year. Undiluted earnings per share were EUR 1.46 (1.05), and diluted earnings per share were EUR 1.45 (1.04).

The operating result for the financial year was EUR 7.7 (5.4) million, representing an increase of 41.0%. The operating result was 44.6% (43.9%) of revenue. Hoivatilat AB, a Swedish subsidiary, started its operations in the autumn of 2018. The company's operations in Sweden did not generate any income in the 2018 financial year. The expenses for the financial year, EUR 0.1 million, mainly consisted of salary and other expenses included in the consolidated income statement.

**Investments**

The consolidated balance sheet total at the end of the financial year was EUR 364.0 (258.1) million, showing an increase of 41.0% compared with the previous financial statements. During the review period, investments with a total acquisition cost of EUR 81.5 (67.2) million were made in the properties. Investments increased by 21.2% year-on-year and mainly consisted of the construction of new projects.

On 30 August 2018, the company sold seven properties, with the debt-free purchase price being EUR 16.4 million. The sales gain from the transaction was around EUR 1.0 million.

**Funding**

The company's interest-bearing liabilities stood at EUR 170.4 (110.1) million at the end of the review period. The net amount of interest-bearing liabilities increased by EUR 60.4 (38.1) million during the financial year. The company's financial assets on 31 December 2018 stood at EUR 41.5 million, consisting of cash assets (EUR 11.4 million), undrawn credit facilities (EUR 6.1 million), undrawn investment loans based on loan agreements (EUR 14.0 million) and the undrawn portion (EUR 10.0 million) of the loan based on the financing agreement with the European Investment Bank. In addition, the company has an option for EUR 20 million in additional funding from the EIP on the terms and conditions of an earlier agreement.

According to the company's interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate maturity is two years, plus or minus six months. The hedging coverage ratio of the company's loan portfolio was 35.8% (37.3%) on 31 December 2018, and the average interest rate maturity of its loan portfolio was 1.93 (1.97) years.

## PROPERTIES

| | Completed | | In progress and not started* | | Total | |
|---|---|---|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| Number of properties | 120 | 90 | 39 | 39 | 159 | 129.0 |
| Leasable area, thousand floor $m^2$ | 105.2 | 78.5 | 45.8 | 34.4 | 151.0 | 112.8 |
| Annual rents, EUR million | 21.5 | 15.9 | 8.4 | 6.6 | 29.9 | 22.5 |
| Investment (acquisition cost), EUR million | 237.8 | 170.7 | 122.1 | 81.8 | 359.9 | 252.5 |

* = Properties in progress and not started also include properties for which binding leases or preliminary agreements have been signed, but construction has not yet begun.

### Properties and agreements

On 31 December 2018, the company had 120 (90) completed properties generating rental cash flow. In addition, properties under construction or in the start-up phase totalled 39 (39). During the financial year, a total of 36 (34) new projects were completed, one of which the company acquired as completed. Seven properties were divested during the financial year.

On 31 December 2018, the company had a total of 159 (129) leases (including preliminary agreements), which were divided between 31 (30) customers. The value of the lease portfolio was EUR 427.0 (316.0) million, and the average maturity of the entire lease portfolio was 14.9 (14.4) years. The company's three largest key customers accounted for approximately 54% (55%) of its lease portfolio on 31 December 2018. The largest customer's share of the lease portfolio was 27% (23%). The second-largest customer's share was 17% (22%), and that of the third-largest customer was 9% (10%). Otherwise, the company has a diverse customer base in both day-care centres and nursing homes. The company's most important tenants are Finland's largest chains in the nursing and day-care sector, in addition to well-known brands.

Of the lease portfolio, 65% (60%) consisted of rental income from properties located in the Greater Helsinki area/ Uusimaa region and the Tampere, Lahti, Turku, Oulu, Kuopio and Jyväskylä regions. Of the lease portfolio, 20% (22%) consisted of properties in other municipalities with more than 30,000 residents, and 15% (18%) consisted of properties located in municipalities with fewer than 30,000 residents.

## LOCATION

| Share of the agreement base | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Greater Helsinki area / Uusimaa region | 21% | 21% |
| Lahti region | 7% | 8% |
| Tampere region | 7% | 8% |
| Turku region | 10% | 8% |
| Oulu region | 8% | 5% |
| Kuopio region | 8% | 5% |
| Jyväskylä region | 5% | 5% |
| Other municipalities with more than 30,000 residents | 20% | 22% |
| Other locations | 15% | 18% |
| Total | 100% | 100% |

### Shares and shareholders

The number of the company's shares on 31 December 2018 was 25,439,229 (25,288,859). The company holds no treasury shares. The closing price of the company's shares on 31 December 2018 was EUR 7.90 (7.30) and the combined market value of the shares was EUR 201.0 (184.6) million. During the review period, the highest closing price was EUR 8.53 (9.12), with the lowest being EUR 7.20 (7.00). A total of 9.3 (6.5) million shares in Suomen Hoivatilat Oyj were traded during the year. On 31 December 2018, the company had a total of 8,913 (8,243) shareholders.

### Flagging notifications

- On 13 November 2018, Partnera Oy announced that its and its controlled companies' (Nurture Property Holding Oy and Nurture Real Estate Holding Oy) total number of shares and votes in Hoivatilat had fallen below 15%, 10% and 5% on 12 November 2018.

- On 13 November 2018, Konstsamfundet r.f. and Kusinkapital Ab announced on behalf of a company to be established (2Care Capital Ab) that the company's total number of shares and votes in Hoivatilat had exceeded 5% and 10% on 12 November 2018.
- On 24 December 2018, Clearance Capital Limited announced that its managed mutual funds' total number of shares and votes in Hoivatilat had exceeded 5%.

**Group structure**

At the end of the financial year on 31 December 2018, the Hoivatilat Group consisted of its parent company, Suomen Hoivatilat Oyj, and its Swedish subsidiary, Hoivatilat AB, which was established during the financial year, as well as 131 (109) mutual real estate companies. The parent company owns 100% of all Group companies. During the financial year, all shares in the following 7 real estate companies were divested: Koy Oulun Ukkoherrantie; Koy Uudenkaupungin Salmenkatu; Koy Paimion Kämmekkä; Koy Ulvilan Peltotie; Koy Nurmijärven Vehnäpellontie; Koy Kouvolan Toukomiehentie B; and Koy Turun Kukolantie.

## Assessment of operational risks and uncertainties

### Financial and strategic risks

The uncertainty in the global economy and the financial markets may affect the company. If the Finnish economy develops unfavourably in the future and regional differences grow, this may have an adverse effect on the company's operations, result, financial position and/or future outlook.

Strategic risks include the competitive situation in the market and dependence on a limited number of customers. Interest in the sector as an investment has grown considerably, which has resulted in new operators entering the market. The company's future growth depends on the successful implementation of the company's business strategy.

The property projects owned by Hoivatilat have been designed and developed to be used as nursing homes and day-care centres and for service communities combining these services. However, the company ensures as early as the design stage of property projects that the premises can be modified and thus also used for purposes other than nursing homes and day-care centres. Nevertheless, it is not certain that the use of the properties for other purposes, such as residential or office use, would necessarily be possible if there were no longer a need according to the original purpose. If realised, this risk may have a material adverse effect on the company's business operations, result, financial position and/or future outlook. Considerable changes in legislation and official regulations may also affect the company's business operations and, subsequently, the demand for properties.

The company's strategic objective is to grow faster than the market. According to the estimate of the management of Hoivatilat, the company may pursue result growth primarily through the implementation of new property projects and an increase in revenue. According to the management's estimate, the implementation of new property projects and an increase in revenue in accordance with the objective requires finding new property projects, developing and expanding existing customer relationships, obtaining new customers and expanding the operations geographically. There is no guarantee that the company succeeds in finding new property projects or obtaining new clients.

### Operational risks

Operational risks include dependence on the competence of the key employees and possible changes in the demand for the properties produced by the Group. The realisation of any risk related to the company's nature as a growth company may have a material adverse effect on the company's business operations, result, financial position and/or future outlook.

The three largest customers of Hoivatilat represent around 54 per cent of its lease portfolio. There is no guarantee that the company's largest customers will remain solvent. Changes in key customers' operating environments, strategies or behaviour, or the loss of rental income from one or more key customer, may have material adverse effects on the company's business operations, business result, financial position and/or future outlook.

### Accident risks

Accident frequency in the construction industry is higher than in many other sectors. Construction sites are by nature dangerous work environments, where serious injuries or even fatal accidents can happen. Any and all accidents have an adverse effect on the company's business operations and personnel wellbeing. Accident investigations carried out in cooperation with the authorities involve costs and delay construction. The company's insurance premiums increase if the accident frequency becomes higher. In addition, accidents may result in civil and criminal liabilities, based on applicable laws, for the company and its management and employees. Accidents may also harm the company's reputation. The realisation of any risk related to employees' health and safety may have a material adverse effect on the company's business operations, result, financial position and/or future outlook.

The company's properties are built by reliable and experienced construction companies that are typically responsible for the entire project. Risks related to construction and property maintenance can be considered to include any moisture damage and indoor air impurities, which may cause interruptions in the operations of Hoivatilat and have an adverse effect on its reputation. The company has prepared for such risks through clauses in agreements and by taking into account that the contractor's guarantee for built facilities is two years and their responsibility spans ten years in accordance with the general terms and conditions concerning turnkey projects.

The company estimates that it carries insurance cover typical of the industry and sufficient insurance cover in case of common accidents. The company has insured its properties with full-value insurance. The company's management and Board of Directors have valid liability insurance.

### Financial risks

Expanding the scope or geographical area of the operations requires sufficient working capital and availability of both equity and external capital. A potential uncertain situation prevailing in the financial market, potential general weakening in available funding and increased financial expenses may have an adverse effect on the company's opportunities to obtain additional funding in the future or may weaken the liquidity of properties, which could result in difficulties selling the properties.

Changes in the interest rate level have a considerable impact on the property business. Changes in the market rates and interest rate margins may impact the company's financial expenses and income. Changes in the interest rate level affect the interest rate expenses of the company's variable-rate loans, which will increase as the market rates increase. The company carefully monitors the development of the interest rate level and actively hedges against the impact of changes in the interest rates. The company primarily uses interest rate swaps to manage the interest rate risk. The fair value of the interest rate swaps and the payable and receivable cash flow in accordance with the agreement depend on the changes in the interest rate level. Profit or loss generated by the agreements to the company has not been limited, and thus a considerable decrease in the interest rate level, for example, may result in interest rate swaps having a material adverse effect on the company's cash flow, financial position and/or future outlook. Although the company believes that it can manage its interest rate risks, it is not certain that the company's hedging measures are effective or that the interest rate fluctuations do not have a material adverse effect on the company's cash flow, financial position and/or future outlook.

The company's rental receivables are associated with a risk of clients not being able to repay their loans when the loans fall due. As a rule, the company's leases include a security deposit equal to 3–6 months of rent, which from the company's perspective reduces the risks and loss of income caused by clients' potential financial difficulties. The occupancy rate of the properties and the financial situation of the tenants are monitored by means of regular meetings and financial monitoring.

## Responsibility and environmental considerations

The operations of Hoivatilat are guided by the company's values: helping the customer; creating value for customers, shareholders and society; rapid responses and straightforward operations; and boldness. In 2018, the company implemented a project to determine the content of its corporate responsibility and key sustainability focuses. During the process, the company also determined the data that serves as the basis for assessing its sustainability development in the future. The company's operations are divided into four areas, which determine its sustainability themes.

Its most important sustainability focuses include a customer-oriented offering and operating methods, environmental responsibility, people's well-being, and profitable business operations. The company's vision is to create a superior customer experience as a developer of properties for education, culture, social services and healthcare. In terms of its customer-oriented offering and operating methods, the company focuses on a superior customer experience and the continuous development of the user experience. Hoivatilat works to create functional, safe and flexible facilities for care and education.

Themes related to environmental responsibility include energy efficiency, renewable materials and forms of energy and a minimal carbon footprint. The company favours ecological heating methods in its properties. Customers are increasingly interested in ecological solutions and hybrid heating methods. In terms of lighting, LED lighting is highly suitable for day-care centres, nursing homes and schools, where lighting is often needed around the clock. All the company's properties are under remote monitoring. This enables the centralised management of heating and ventilation of the properties from one location, as well as making it possible to affect property life cycles, adjust heating according to the conditions and ensure optimal ventilation.

Concerning people's well-being, Hoivatilat works to provide its employees with interesting and meaningful jobs while also being an inspiring and continuously developing working environment. Our primary mission is to create a better society and better service environments with our partners. In implementing its mission, the company works to be a reliable, uncomplicated and responsible partner.

Hoivatilat engages in responsible and profitable business operations. The company works to be a profitable investment for its shareholders through shareholder value and dividend development. As well as being profitable, its operations must be continuous. Efficient operations and a high occupancy rate (100%) are important principles of profitable business operations.

## Personnel

Hoivatilat provides solutions for growth. Our company grows with its customers and partner network. All our operations focus on our customers, and our employees seek to offer a superior customer experience in providing properties for culture, education, social services and healthcare.

Our operating method is based on networks. A small, highly efficient team is responsible for the coordination and development of networks. This team focuses on key project tasks, such as customer relationship management, administration, project development, construction and property management. With the help of an extensive and competent partner network, Hoivatilat can carry out a large number of new property projects each year, as well as managing its current property portfolio.

At the end of 2018, Hoivatilat had a CEO and 18 employees. The company had 11 employees in Oulu, 7 in Espoo and 1 in Stockholm. Four new employees were recruited during the year to strengthen competence in construction, administration, marketing, new business concept development and international operations. The company is headquartered in Oulu, with offices in Espoo and Stockholm.

On 12 June 2018, the company's Board of Directors decided to continue the long-term personnel share reward programme approved by the 2018 Annual General Meeting. The system will be established as part of the incentive and loyalty system for the personnel of the company and its subsidiaries. The purpose is to unify the goals of the owners and the employees to raise the value of the company over the long term, as well as to keep the employees engaged with the company and offer them a competitive reward system based on the earning and accumulation of company shares. The system has two earning periods, 1 June 2018 to 30 November 2019, and 1 June 2018 to 31 May 2021. The earning criterion to be applied to the share reward programme is total shareholder return (TSR) during the earning period. Under this programme, a maximum of 250,000 shares will be paid out to employees, as well as a cash portion to cover the taxes incurred by the participants on the rewards.

**Board of Directors and company's management**

The members of the Board of Directors of Hoivatilat are Pertti Huuskonen (chairman), Satu Ahlman, Harri Aho, Kari Nenonen, Timo Pekkarinen and Reijo Tauriainen. Mammu Kaario served as a member of the Board until 27 March 2018.

The members of the Audit Committee are Reijo Tauriainen (chairman), Harri Aho and Kari Nenonen. The members of the Remuneration Committee are Pertti Huuskonen (chairman), Satu Ahlman and Timo Pekkarinen.

The Shareholders' Nomination Board consists of Stefan Björkman, Kalle Saariaho and Johannes Winborg. Pertti Huuskonen, Chairman of the Board of Directors of Suomen Hoivatilat Oyj, serves as an expert member on the Nomination Board.

The Group's management team consists of CEO Jussi Karjula, deputy CEO Riku Patokoski, CFO Tommi Aarnio, property director Juhana Saarni and communications manager Riikka Säkkinen. Antti Kurkela served as a member of the management team until 4 December, 2018.

**Decisions of the Annual General Meeting**

The Annual General Meeting of Hoivatilat was held on 27 March 2018 in Oulu. The Annual General Meeting confirmed the financial statements and discharged the members of the Board of Directors and the CEO from liability for the 2017 financial year. KPMG Oy Ab, Authorised Public Accountants, was selected as the company's auditor, with APA Antti Kääriäinen as the principal auditor.

A dividend of EUR 0.13 per share was paid on 9 April, 2018 in accordance with the Annual General Meeting's decision. In addition, the Annual General Meeting authorised the Board to decide on the acquisition of treasury shares and the issuance of new shares and special rights, as proposed by the Board. The Annual General Meeting also approved an amendment to the Articles of Association with regard to the venue of the Annual General Meeting, as well as the Nomination Board's proposal for the composition of the Board and Board members' fees. Its decisions were announced on 27 March 2018. They are also available on the company's website.

**Events after the review period**

No significant events after the review period.

**Financial targets for 2019–2021**

Suomen Hoivatilat Oyj has set the following financial targets for 2019–2021:

- Average annual increase of 30% in revenue
- Average operating profit at 40% of revenue
- Average equity ratio of at least 30%. The equity ratio includes the effect of the IFRS 16 standard as of 1 January 2019.

According to Hoivatilat's dividend distribution policy, the goal is to distribute at least 50 per cent of the operating profit as dividends every year.

**Board of Directors' proposal for the distribution of profit**

The parent company's distributable funds stood at EUR 163,393,199 at the end of the financial year. The Board of Directors proposes to the Annual General Meeting of 26 March 2019 that the company's distributable funds be used to distribute a dividend of EUR 0.17 per share, or EUR 4,324,668.93 in total, using the number of shares on the balance sheet date. The proposed dividend is approximately 56.4% of the operating result for the financial year.

In line with its dividend distribution policy, Hoivatilat seeks to distribute at least 50% of its operating result as dividends. If dividend is distributed, all the company's shares entitle shareholders to receive the same dividend. The operating result reflects the profitability of the company's operations, excluding the impact of the change in the fair value of the properties. In accordance with the dividend policy, the company's distribution of dividends is based on the operating result.

There have been no material changes in the financial position of Hoivatilat since the end of the financial year. The liquidity of Hoivatilat is good, and the proposed distribution of profits will not endanger the company's solvency in the view of the Board of Directors.

**General Meeting**

The 2019 Annual General Meeting will be held in Helsinki on 26 March, 2019 at 3 p.m.

**Financial calendar for 2019**

The interim report for January–March 2019 will be published on 8 May, 2019. Hoivatilat's half-year financial report for January–June will be published on 22 August, 2019, and an interim report for January–September on 6 November, 2019.

# SHARE INFORMATION

| LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2018 | | |
|---|---|---|
| **Shareholder** | **Shares** | **%** |
| 2 Care Capital Ab | 3,767,012 | 14.81% |
| Skandinaviska Enskilda Banken AB | 3,643,208 | 14.32% |
| OP Fund Management Company Ltd | 2,071,769 | 8.14% |
| Hintsala Eino | 941,439 | 3.70% |
| Nordea Bank Abp | 937,490 | 3.69% |
| Timo Pekkarinen | 896,489 | 3.52% |
| Milerosa Oy | 604,776 | 2.38% |
| Veritas Pension Insurance Company Ltd | 434,552 | 1.71% |
| Hyväri Harri Tapani | 432,348 | 1.70% |
| Ilmarinen Mutual Pension Insurance Company | 428,171 | 1.68% |
| Ahola Tuomas Veli | 394,244 | 1.55% |
| Karjula Jussi Pekka | 361,916 | 1.42% |
| Kusinkapital Ab | 352,137 | 1.38% |
| Mevita Invest Oy | 288,769 | 1.14% |
| OP Life Assurance Company Ltd | 282,500 | 1.11% |
| Nurture Holding Companies | 277,500 | 1.09% |
| Väisänen Ahti Pekka Olavi | 250,000 | 0.98% |
| Investment Fund Arvo Finland Value | 240,000 | 0.94% |
| Misaelma Holding Oy | 224,645 | 0.88% |
| Pirkko ja Jukka Ruusu Oy | 214,676 | 0.84% |
| | | |
| 20 largest shareholders total | 17,043,641 | 67.0% |
| Other shareholders | 8,395,588 | 33.0% |
| **All shares total** | **25,439,229** | **100.0%** |

| SHAREHOLDINGS 31 DECEMBER 2018 | | | | |
|---|---|---|---|---|
| | **Number of shareholders** | **Shareholders, %** | **Number of shares** | **Shares, %** |
| 1 - 100 | 3158 | 35.4% | 159,910 | 0.6% |
| 101 - 500 | 3768 | 42.3% | 966,141 | 3.8% |
| 501 - 1 000 | 1029 | 11.5% | 788,453 | 3.1% |
| 1 001 - 5 000 | 770 | 8.6% | 1,467,152 | 5.8% |
| 5 001 - 10 000 | 80 | 0.9% | 597,571 | 2.3% |
| 10 001 - 50 000 | 62 | 0.7% | 1,532,649 | 6.0% |
| 50 001 - 100 000 | 10 | 0.1% | 680,842 | 2.7% |
| 100 001 - 500 000 | 29 | 0.3% | 6,868,824 | 27.0% |
| 500 001 - | 7 | 0.1% | 12,377,687 | 48.7% |
| **Total** | **8913** | **100%** | **25,439,229** | **100%** |

| SHAREHOLDERS BY SECTOR 31 DECEMBER 2018 | Number of shares | Shares, % |
|---|---|---|
| Households | 9,284,619 | 36.5% |
| Public sector entities | 870,490 | 3.4% |
| Financial and insurance institutions | 8,043,082 | 31.6% |
| Companies | 6,938,365 | 27.3% |
| Non-profit entities | 273,058 | 1.1% |
| Foreign ownership | 29,615 | 0.1% |
| **Combined total** | **25,439,229** | **100.0%** |
| Of which nominee registered | 4,771,386 | |

The company's shares are listed on the Nasdaq Helsinki main market on 1 March 2017.

| | |
|---|---|
| Reserved trading code | HOIVA |
| ISIN code | FI4000148648 |
| Highest price of the share during the financial year (EUR) | 8,54 |
| Lowest price of the share during the financial year (EUR) | 7,17 |
| Closing price of the share at the end of the financial year (EUR) | 7,90 |
| Market value 31 December 2018 (EUR) | 200,969,909 |
| Trading volume 1 January–31 December 2018 (pcs) | 9,271,664 |
| Number of shares 31 December 2018 (pcs) | 25,439,229 |

# KEY FIGURE FORMULAS

## IFRS key figures

**Earnings per share (EPS), undiluted, EUR =** $\dfrac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares in the review period}}$

**Earnings per share (EPS), diluted, EUR =** $\dfrac{\text{Profit for the period belonging to the parent company's shareholders}}{\text{Weighted average of the number of shares adjusted with the dilution effect in the review period}}$

**Dividend per share, EUR =** $\dfrac{\text{Dividend paid for the financial year}}{\text{Number of shares entitled to dividend}}$

## Alternative key figures

**Equity ratio, % =** $\dfrac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$

**Net gearing, % =** $\dfrac{\text{Interest-bearing liabilities - cash in hand and at banks}}{\text{Equity}} \times 100$

**Return on equity, % =** $\dfrac{\text{Profit/loss for the financial year}}{\text{Average equity during the financial year}} \times 100$

**Economic occupancy rate, % =** $\dfrac{\text{Gross rents for the review period / number of months}}{\text{Potential gross rents / number of months}} \times 100$

**Operational result, EUR thousand =** Profit for the financial year - /+ Net gains/losses from measuring investment properties at fair value -/+ Net gains/losses from divestments of investment properties +/- Taxes based on the profit for the financial year generated by the aforementioned items +/- Deferred taxes generated by the aforementioned items

**Operational result per share, EUR =** $\dfrac{\text{Operational result}}{\text{Weighted average of the number of shares in the review period}}$

**NAV, EUR thousand =** Equity belonging to parent company's shareholders + deferred tax liability generated by measuring investment properties at fair value

**NAV per share, EUR =** $\dfrac{\text{NAV}}{\text{Number of shares adjusted for the share issue at the end of the period}}$

**NNAV, EUR thousand =** NAV - deferred tax liability generated by measuring investment properties at fair value

**NNAV per share, EUR =** $\dfrac{\text{NNAV}}{\text{Number of shares adjusted for the share issue at the end of the period}} \times 100$

**Net return, % =** $\dfrac{\text{Annualised rental income for the month of the financial statements - the forecast 12-month expenses of the properties in question}}{\text{Value of the investment properties generating rental cash flow for the month of the financial statements}} \times 100$

**Loan-to-value (LTV), %** $\dfrac{\text{Financial liabilities - Cash and cash equivalents}}{\text{Fair value of investment properties}} \times 100$

| RECONCILIATION CALCULATIONS CONCERNING CERTAIN KEY FIGURES | | |
|---|---|---|
| **Net return, %** | | |
| **EUR thousand** | **31 Dec 2018** | **31 Dec 2017** |
| Annualised rental income for the month of the financial statements | 21,467 | 15,157 |
| The forecast 12-month expenses of the properties generating rental income | -1,237 | -864 |
| Net rental income | 20,230 | 14,293 |
| | | |
| Value of the investment properties generating rental cash flow for the month of the financial statements | 329,000 | 221,270 |
| | | |
| **Net return, %** | **6.15%** | **6.46%** |
| **NAV, EUR thousand** | | |
| **EUR thousand** | **31 Dec 2018** | **31 Dec 2017** |
| Equity belonging to the parent company's shareholders | 161,206 | 129,136 |
| Deferred tax liability generated by measuring investment properties at fair value | 23,367 | 14,210 |
| | | |
| **NAV, EUR thousand** | **184,573** | **143,346** |
| **Operational result** | | |
| **EUR thousand** | **31 Dec 2018** | **31 Dec 2017** |
| Profit for the financial year | 36,273 | 25,504 |
| -/+ Net gains/losses from measuring investment properties at fair value | -34,713 | -25,086 |
| -/+ Net gains/losses from divestments of investment properties | -1,049 | 0 |
| +/- Taxes based on the profit for the financial year generated by the aforementioned items | 210 | 0 |
| +/- Deferred taxes generated by the aforementioned items | 6,943 | 5,017 |
| **Operational result** | **7,663** | **5,436** |

# CONSOLIDATED INCOME STATEMENT IFRS

| CONSOLIDATED INCOME STATEMENT IFRS | | | |
|---|---|---|---|
| EUR | Note | **1 Jan–31 Dec 2018** | **1 Jan–31 Dec 2017** |
| **TOTAL REVENUE** | 1, 2 | **17,182,305** | **12,372,792** |
| | | | |
| Transfers of investment properties and changes in fair value | 3, 10 | 36,675,896 | 25,085,586 |
| Other operating income | 1, 2 | 282,735 | 0 |
| Expenses of employee benefits | 4, 16, 24 | -2,450,190 | -1,884,728 |
| Depreciation | 5 | -33,795 | -10,070 |
| Other operating expenses | 6 | -3,176,505 | -2,246,523 |
| **OPERATING PROFIT (LOSS)** | | **48,480,446** | **33,317,058** |
| Financial income | 7 | 867 | 585 |
| Financial expenses | 7 | -2,057,609 | -1,399,723 |
| **PROFIT BEFORE TAXES** | | **46,423,703** | **31,917,921** |
| Taxes for the financial year and previous periods | 8 | -9,420,361 | -6,413,774 |
| **PROFIT FOR THE FINANCIAL YEAR** | | **37,003,342** | **25,504,147** |

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IFRS | | | |
|---|---|---|---|
| EUR | Note | **1 Jan–31 Dec 2018** | **1 Jan–31 Dec 2017** |
| PROFIT FOR THE FINANCIAL YEAR | | 37,003,342 | 25,504,147 |
| Other comprehensive income items | | | |
| Items that may be reclassified to profit or loss later: | | | |
| Translation differences | | -1,747 | 0 |
| Cash flow hedging | 19 | -992,077 | 113,095 |
| Taxes associated with other comprehensive income items | 12 | 198,415 | -22,619 |
| **Other comprehensive income items for the financial year after taxes** | | **-795,409** | **90,476** |
| **COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | | **36,207,933** | **25,594,623** |
| | | | |
| Distribution of profit for the financial year | | | |
| To parent company shareholders | | 37,003,342 | 25,504,147 |
| To shareholders with non-controlling interest | | 0 | 0 |
| Distribution of comprehensive income for the financial year | | | |
| To parent company shareholders | | 36,207,933 | 25,594,623 |
| To shareholders with non-controlling interest | | 0 | 0 |
| | | | |
| Earnings per share calculated on the profit belonging to the parent company's shareholders | | | |
| Undiluted earnings per share | 9 | 1,46 | 1,05 |
| Earnings per share adjusted with the dilution effect | 9 | 1,45 | 1,04 |

# CONSOLIDATED BALANCE SHEET IFRS

| CONSOLIDATED BALANCE SHEET IFRS | | | |
|---|---|---|---|
| EUR | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | | 150,285 | 14,016 |
| Investment properties | 10 | 348,899,080 | 247,066,462 |
| Machinery and equipment | | 36,216 | 32,971 |
| Deferred tax assets | 12 | 363,778 | 377,783 |
| **Total non-current assets** | | **349,449,360** | **247,491,232** |
| | | | |
| **Current assets** | | | |
| Trade receivables and other receivables | 13 | 3,455,775 | 734,766 |
| Cash and cash equivalents | 14 | 11,382,638 | 9,844,945 |
| **Total current assets** | | **14,838,412** | **10,579,711** |
| | | | |
| **ASSETS TOTAL** | | **364,287,772** | **258,070,943** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity belonging to the parent company's shareholders** | 15 | | |
| Share capital | | 80,000 | 80,000 |
| Invested non-restricted equity reserve | | 69,722,015 | 69,720,511 |
| Fair value reserve | | -950,940 | -157,278 |
| Translation difference | | -1,747 | |
| Retained earnings/losses | | 56,084,397 | 33,988,430 |
| Profit/loss for the financial year | | 37,003,342 | 25,504,147 |
| **Equity belonging to the parent company's shareholders, total** | | **161,937,067** | **129,135,811** |
| **Non-current liabilities** | | | |
| Financial liabilities | 17 | 158,809,420 | 101,156,352 |
| D eferred tax liabilities | 12 | 23,618,863 | 14,429,667 |
| **Total non-current liabilities** | | **182,428,283** | **115,586,019** |
| **Current liabilities** | | | |
| Financial liabilities | 17 | 11,640,147 | 8,901,139 |
| Trade payables and other liabilities | 18 | 8,282,274 | 4,447,974 |
| **Total current receivables** | | **19,922,422** | **13,349,113** |
| | | | |
| **Total liabilities** | | **202,350,705** | **128,935,131** |
| | | | |
| **EQUITY AND LIABILITIES TOTAL** | | **364,287,772** | **258,070,943** |

# CONSOLIDATED CASH FLOW STATEMENT IFRS

| CONSOLIDATED CASH FLOW STATEMENT IFRS | | | |
|---|---|---|---|
| EUR | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
| **Cash flow from operations** | | | |
| Profit for the financial year | | 37,003,342 | 25,504,147 |
| Adjustments | | | |
| Non-cash transactions and other adjustments | 21 | -37,435,762 | -24,907,234 |
| Interest and other financial expenses | | 2,057,609 | 1,399,723 |
| Interest income | | -867 | -585 |
| Taxes | | 9,420,361 | 6,413,774 |
| | | | |
| Changes in working capital | | | |
| Change in trade receivables and other receivables | | -2,726,708 | -296,473 |
| Change in trade payables and other liabilities | | 4,086,318 | -384,811 |
| Interest paid | | -2,062,160 | -1,351,279 |
| Interest received | | 867 | 585 |
| Taxes paid | | -1,611,666 | -203,562 |
| **Net cash flow from operations (A)** | | **8,731,334** | **6,174,284** |
| | | | |
| Cash flow from investment activities | | | |
| Divestment of investment properties | 10 | 10,911,237 | 0 |
| Acquisition of investment properties | | -2,126,892 | -2,421,607 |
| Investments in property, plant, and equipment | 10 | -77,193,637 | -65,802,386 |
| Investments in intangible assets | | -136,269 | -5,005 |
| **Net cash flow from investment activities (B)** | | **-68,545,562** | **-68,228,998** |
| | | | |
| Cash flow from financing activities | | | |
| Payments from the share issue | 15 | 1,504 | 31,500,000 |
| Loan withdrawals | 17 | 73,413,983 | 44,955,476 |
| Loan repayments | 17 | -8,756,467 | -6,806,260 |
| Dividends paid | 15 | -3,307,100 | -2,078,886 |
| **Cash flow from financing activities (C)** | | **61,351,920** | **67,570,331** |
| | | | |
| **Change in cash and cash equivalents (A + B + C)** | | **1,537,692** | **5,515,617** |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 9,844,945 | 4,329,328 |
| Cash and cash equivalents at the end of the financial year | | 11,382,638 | 9,844,945 |

# CALCULATION OF CHANGES IN THE GROUP'S EQUITY IFRS

| CALCULATION OF CHANGES IN THE GROUP'S EQUITY IFRS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Equity belonging to the parent company's shareholders | | | | | | |
| EUR | Note | Share capital | Invested non-restricted equity reserve | Fair value reserve | Translation difference | Retained earnings | Equity, total |
| **Equity on 1 Jan 2017** | 15 | 80,000 | 39,109,917 | -247,754 | 0 | 35,899,035 | 74,841,198 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | | | | | | 25,504,147 | 25,504,147 |
| Other comprehensive income items | | | | | | | |
| Cash flow hedging | | | | 90,476 | | | 90,476 |
| **Total comprehensive income** | | | | **90,476** | | **25,504,147** | **25,594,623** |
| **Transactions with shareholders** | | | | | | | |
| Distribution of dividends | | | | | | -2,078,886 | -2,078,886 |
| Share issue | 15 | | 31,500,000 | | | | 31,500,000 |
| Transaction costs of the share issue with the adjusted impact of deferred taxes | | | -889,406 | | | | -889,406 |
| Incentive system | | | | | | 168,282 | 168,282 |
| **Transactions with shareholders, total** | | **0** | **30,610,594** | | | **-1,910,604** | **28,699,990** |
| **Equity on 31 Dec 2017** | | **80,000** | **69,720,511** | **-157,278** | **0** | **59,492,577** | **129,135,811** |
| | | | | | | | |
| **Equity on 31 Dec 2017** | | **80,000** | **69,720,511** | **-157,278** | **0** | **59,492,577** | **129,135,811** |
| Amendments to IFRS 2 | | | | | | 454,085 | |
| **Equity on 1 Jan 2018** | | 80,000 | 69,720,511 | -157,278 | 0 | 59,946,662 | 129,589,896 |
| **Comprehensive income** | | | | | | | |
| Profit for the financial year | | | | | | 37,003,342 | 37,003,342 |
| Other comprehensive income items * | | | | | | | 0 |
| Translation difference | | | | | -1,747 | | -1,747 |
| Cash flow hedging | | | | -793,662 | | | -793,662 |
| **Total comprehensive income for the financial year** | | | | **-793,662** | **-1,747** | **37,003,342** | **36,207,933** |
| **Transactions with shareholders** | | | | | | | |
| Distribution of dividends | | | | | | -3,307,100 | -3,307,100 |
| Share issue | 15 | | 1,504 | | | | 1,504 |
| Incentive system | | | | | | -555,165 | -555,165 |
| **Transactions with shareholders, total** | | **0** | **1,504** | **0** | **0** | **-3,862,265** | **-3,860,761** |
| **Equity on 31 Dec 2018** | | **80,000** | **69,722,015** | **-950,940** | **-1,747** | **93,087,739** | **161,937,067** |

* = Items that may be reclassified to profit or loss later.

# ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS

**Group's basic information**
Suomen Hoivatilat Group specialises in producing, developing, owning and leasing out nursing homes, day care centres and service communities. The Group's parent company is Suomen Hoivatilat Oyj which shares have been listed on Nasdaq Helsinki since 1 March 2017.

The parent company's registered office is in Oulu, Finland, and its registered address is Lentokatu 2, 90460 Oulunsalo. Copies of the consolidated financial statements are available at **www.hoivatilat.fi** or from the Group's registered address.

Suomen Hoivatilat Oyj's Board of Directors approved these financial statements for publication in its meeting on 20 February 2019. In accordance with the Finnish Limited Liability Companies Act, shareholders can approve or reject the financial statements in the Annual General Meeting to be held after the financial statements have been published. The Annual General Meeting can also decide to amend the financial statements.

**Basis of preparation of the financial statements**
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2018 have been applied in preparing them. 'International Financial Reporting Standards' refer to the standards and interpretations thereof approved for application in the EU in accordance with the procedure stipulated in the Finnish Accounting Act and related regulations in the EU directive (EC) N:o 1606/2002. The applicable Finnish accounting and corporate legislation requirements supplementing the IFRS regulations have also been taken into account when preparing the Notes to the financial statements.

The consolidated financial statements are prepared for a calendar year, which is the financial year for the Group's parent company and other Group companies.

The consolidated financial statements have been prepared based on original acquisition costs, with the exception of investment properties and the monetary portion of the share reward system, which have been measured at fair value.

The financial statements are presented in euros.

The preparation of the financial statements in compliance with IFRS calls for estimates and decisions based on judgement by the Group's management. Information on the decisions based on judgement, which the management has used when applying the Group's accounting principles and which have the greatest impact on the figures presented in the financial statements, as well as the assumptions concerning the future and the key assumptions related to the estimates are presented in section "Main uncertainties in respect of estimates" of the accounting principles.

**Consolidation principles**
The subsidiaries are companies in which the Group has controlling interest. Controlling interest is generated when the Group, by being involved in an entity, is exposed to the variable profit of the entity or is entitled to its variable profit and is able to influence this profit by exercising its power in the entity.

The Group's mutual shareholding has been eliminated by means of the purchase method. All intra-Group transactions, receivables, liabilities, unrealised profits, and internal distribution of profits are eliminated when preparing the consolidated financial statements.

All subsidiaries included in the consolidated financial statements are wholly owned and established by the parent company, and the Group does not include shares of non-controlling shareholders.

**Transactions denominated in foreign currency**
Transactions denominated in foreign currency have been measured in the operating currency of the Group companies using the exchange rate of the transaction date. Monetary items and liabilities denominated in foreign currency have been translated into euro at the exchange rates of the closing day of the financial year.

Profit and loss from transactions denominated in foreign currency and translation of monetary items have been measured through profit and loss.

**Intangible assets and property, plant and equipment**

Intangible assets and property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment losses and are depreciated in accordance with the predefined depreciation plan over their economic lives. Intangible assets are primarily depreciated with straight-line depreciation of 5 years and machinery and equipment are depreciated with straight-line depreciation of 10 years from the original acquisition cost.

Additional costs generated later will be capitalised if is likely that they will generate future financial benefit for the company and that they can be reliably determined and allocated to an asset. Otherwise, they are recognised as an expense in the income statement.

The economic life of intangible assets and property, plant and equipment is reviewed annually and their book values are assessed for any impairments. If indications of impairments exist, the recoverable monetary amount of the asset item is determined. The recoverable monetary amount is also assessed annually for intangible assets in progress, regardless of whether there are any indications of impairments.

The recoverable amount is defined as the fair value of the asset less cost to sell or the value in use, whichever is higher. Value in use refers to the estimated future net cash flows from the asset or cash-generating unit in question, which are discounted at their current value. The discount rate used is the interest rate defined before tax, which reflects the market's view of the time value of money and the special risks associated with the asset.

If the book value of the asset item is determined to be higher than its recoverable future monetary amount, the impairment loss is recognised as an expense measured through profit and loss. If the impairment loss is later deemed unfounded, the impairment loss recognised earlier can be reversed by measuring it through profit and loss. The maximum amount of the impairment being reversed is the book value that the asset would have if the impairment loss was not recognised, and impairment loss on any goodwill will not be reversed.

On the balance sheet date, the Group does not have assets with an indefinite estimated economic life or goodwill, which should annually be tested for impairment using impairment tests.

**Investment properties**

Investment properties are properties that the Group holds in order to obtain rental income or an appreciation in the asset value, or both. The investment properties include the buildings and built and non-built land areas owned by the Group. Investment properties are originally recognised at acquisition cost and, later, at fair value. The change in the value of investment properties is recognised in the income statement. In addition to the value change of the properties that were ready and owned throughout the year, the change in the fair value of investment properties generated during the financial year is due to the recognition at fair value of properties, which were under construction during the financial year and to the increases in the acquisition cost recognised during the financial year.

According to IFRS 13, fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. When defining fair value, an assumption is made that the transaction realised to sell takes place either in the principal market or, if a principal market does not exist, in the most advantageous market to which the company has access on the measurement date. Fair value is defined using the assumptions that the market participants would use in pricing, assuming that the market participants act in accordance with their best financial interests. When defining the fair value, the market participant's ability to gain financial advantage by using the investment property in its best and most profitable use or by selling it to another market participant, which would use the investment property in its best and most profitable use, is taken into consideration. The best and most profitable use of the investment properties owned by Hoivatilat does not differ from the way they are currently used.

Hoivatilat uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of an investment property reflects the market conditions of the measurement date, considering the prices paid on properties in an equivalent location and condition and with equivalent lease terms. The fair value of investment properties is defined by an external assessor once per year, at a minimum. In 2018 and 2017, the assessments were commissioned every six months. Realia Management Oy acts as an external expert and authorised real estate appraiser. The appraiser produces a separate valuation calculation of each investment property held by the company, determining the value of the investment property. The determination of the fair value of investment properties is based on the forecast lease income from the properties, which have been discounted using the cash flow approach on the measurement date. During the financial years 2018 and 2017 the valuation wase done by the valuation experts of Realia Management Oy, who, as a rule, are authorised real estate appraisers (AKA) and real estate appraisers holding a general authorisation and approval of the Central Chamber of Commerce (KHK).

The fair value determined by an external expert is used as a fair value concerning the completed investment properties. The fair value concerning the investment properties under construction is determined using the fair value of completed investment properties considering the completion rate of the investment properties under construction. The investment properties in the phase of building permit, in which the construction work has not been started and the properties under construction with completion rate less than 10 per cent are measured at their acquisition cost.

Acquisition costs related to the construction of the investment property generated during construction, any related plot leases, interest expenses, and costs arising from employee benefits are capitalised in the investment properties under construction in the balance sheet.

The management team audits the appraisal of the properties done by an external appraiser once it has been completed. In the case of investment properties which have been evaluated in an earlier appraisal statement, the company compares the most recent valuations to those presented in the earlier appraisal statement. In the case of new investment properties, valuations are compared to the company's knowledge of recent market transactions and for example the development of market net operating income requirements are followed and compared to net operating income requirements of the Company's investment property.

The Audit Committee of the Company audits the appraisal statement done by the external appraiser and evaluates the valuation of the investment properties also based on the earlier appraisal statements delivered by the property appraiser. The Audit Committee presents the appraisal done by the property appraiser to the Board of Directors.

All investment properties are Level 3 inputs in the fair value hierarchy.

### Measurement at fair value

In the consolidated financial statements, investment properties and the monetary portion of the share reward system are measured at fair value.

Asset items measured at fair value, which are categorised as hierarchy Level 1, are based on the quoted (unadjusted) prices of identical assets or liabilities in an active market, such as the quoted prices on Nasdaq Helsinki on the measurement date. The fair values of Level 2 assets or liabilities are, to a significant extent, based on inputs other than the quoted prices included in Level 1. However, they are based on information that is observable for the said asset item either directly as a price or indirectly as derived from prices. In determining the fair value of these instruments, the Group uses generally accepted valuation models in which the input is, nevertheless, to a significant extent based on verifiable market information. The fair values of Level 3 asset items are based on the inputs concerning the asset item in question, which are not based on observable market information (unobservable inputs) but, to a considerable extent, on management estimates and the use thereof in generally accepted valuation techniques.

### Leases

Leases are categorised as finance leases and other leases based on the extent to which the incident risks of owning a leased asset are borne by the lessee or the lessor. Such leases in which an essential portion of the risks and rewards of owning an asset are transferred to the lessee are categorised as finance leases. If the risks and rewards related to owning the asset are not transferred, the lease is categorised as other lease. Other leases are measured through profit and loss on a straight-line basis over the lease period, unless another systematic basis better describes the actual nature of the lease.

### Group as a lessor

Leases are categorised as finance leases and other leases based on the extent to which the incident risks of owning a leased asset are borne by the lessee or the lessor. Such leases in which an essential portion of the risks and rewards of owning an asset are transferred to the lessee are categorised as finance leases. If the risks and rewards related to owning the asset are not transferred, the lease is categorised as other lease. Other leases are measured through profit and loss on a straight-line basis over the lease period, unless another systematic basis better describes the actual nature of the lease.

### Group as a lessee

Leases in which the risks and rewards incident to ownership remain with the lessor are processed as other leases. All of the Group's leases are other leases. Lease income is recognised in the income statement on a straight-line basis over the lease period.

### Equity

Ordinary shares are categorised as equity. The company has one series of shares, and each share confers one vote in the Annual General Meeting. The shares have no nominal value and the share capital has no maximum amount.

Transaction costs immediately incurred by the issuance of new shares or options are presented in equity as a deduction of payments, adjusted with tax consequences. If Suomen Hoivatilat Oyj repurchases its equity instruments, the acquisition cost of these instruments is deducted from equity.

### Financial assets and liabilities

The financial assets of the Suomen Hoivatilat Group have been divided into the following groups in accordance with IFRS 9 Financial Instruments: financial assets recognised at fair value measured through profit and loss, at fair value measured through other comprehensive income or at amoritsed cost. The assets are categorised based on the purpose of acquiring the financial assets and liabilities and in connection with the original acquisition. The financial instruments are originally recognised at fair value entered in accounting based on the consideration received or paid. The transaction costs are included in the original book value of the financial assets and liabilities, when the item in question is not measured at fair value through profit. All purchases and sales of financial assets and liabilities are recognised on the transaction date. Derecognition of financial assets is carried out when the Group has lost its contractual right to cash flows or when it has transferred, to a considerable extent, risks and profits outside the company.

The financial assets or liabilities recognised at fair value through profit and loss group includes such derivatives that are not processed in accordance with hedge accounting provided in IFRS 9. Those maturing in 12 months are included in other current assets or liabilities.

The items in the group are measured at fair value, and the fair value of all investments in this group has been defined on the basis of price quotations published in the active markets or the generally accepted pricing models. Both realised and unrealised profits and losses caused by changes in the fair value and the related taxes are recognised through profit and loss for the financial year in which they are incurred.

Payments related to loans and other receivables are fixed or can be determined and they are not quoted in an active market and the company does not hold them for trading purposes. This group includes the Group's financial assets, which have been generated by transferring money, goods or services to the debtor. They are measured at amortised cost and included in current and non-current financial assets; in the latter if they mature after more than 12 months. The Group will recognise an impairment on an individual receivable when there is objective evidence that the receivable cannot be collected in full.

Interest-bearing liabilities are recognised in the balance sheet at amortised cost using the effective interest method. Current interest-bearing liabilities include all interest-bearing liabilities maturing in less than 12 months, including commercial papers issued by the company.

### Impairment of financial assets

The Group will recognise an impairment loss on trade receivables when there is objective evidence that the receivable cannot be collected in full. The debtor's considerable financial difficulties, the probability of a bankruptcy, failure to make payments, or a payment overdue by more than 90 days are evidence of the impairment of a financial asset. The amount of an impairment loss recognised through profit and loss is determined as the difference in the book value of the receivable and the current value of the estimated future cash flows. If the amount of the impairment loss decreases during a subsequent period and the change can be objectively attributed to an event that has taken place after the recognition of the impairment loss, the recognised loss is reversed through profit and loss.

### Derivative contracts

The Group uses derivative contracts to hedge primarily against interest rate risk. Interest rate derivative contracts are defined as hedging instruments for future interest rate flows, and the Group applies cash flow hedging to processing the contracts when the hedge accounting criteria in accordance with standard IAS 39 are met. The change in the fair value of a derivative contract is recognised in other comprehensive income items to the extent that the hedge is effective. The ineffective portion of the hedge is immediately recognised in financial items in the income statement. If the derivative contract used as a hedging instrument expires, is sold or prematurely terminated, but the fulfilment of the interest rate flows of the hedged loans continues to be extremely likely, the profits and losses accumulated from interest rate swaps remain in equity and are recognised in the income statement while the hedged interest rate flows are realised in the result. If the realisation of the hedged cash flows is no longer extremely likely, the profits and losses accumulated from interest rate swaps are immediately recognised from equity to financial income and expenses in the income statement.

### Borrowing costs

Borrowing costs are recognised as an expense for the financial year in which they were incurred. Borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are included in the cost of the asset. The borrowing costs to be capitalised are expenses incurred by the loans withdrawn for construction projects in property development operations or expenses calculated from construction projects multiplied by the capitalisation rate, if no withdrawn loan is allocated to the construction project in question separately. The capitalisation rate is the weighted average interest rate of the interest-bearing liabilities during the Group's financial year. The capitalised borrowing costs are presented as part of the investment cash flow.

### Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits available for withdrawal upon request, and other current, very liquid investments. The maximum maturity of items categorised as cash and cash equivalents is three months from the acquisition.

### Principles of income recognition

The Group's revenue primarily consists of facility rental income from business operations. The revenue has been adjusted with indirect taxes and sales adjustment items. The Group's income is recognised when it is likely that the financial benefit related to the transaction will benefit the community. The rental income from the investment properties is recognised as income on a straight-line basis through profit and loss for the entire lease period in accordance with IAS 17.

### Government grants

Government grants are recognised when it is reasonably certain that the company meets the related conditions and will receive the grants. Grants received for various development programmes are presented in other operating income. Expenses allocated to development programmes are presented in the service expenses in other operating income and in expenses incurred by employee benefits.

### Employee benefits

#### Short-term employee benefits

Short-term employee benefits include salaries and bonuses, and they are recognised as expenses for the financial year during which the work was performed.

#### Post-employment benefits

The Group's personnel is covered by defined contribution plans. Payments to pension plans are recognised in the income statement in the financial period which the payment concerns.

#### Share-based payments

The Group has a share-based incentive system, in which payments are made in part shares and in part cash. The share portion is recognised as expenses incurred by employee benefits and in the Group's equity during the period in which the right to such payment was generated. The shares to be issued are measured at the fair value of the issue date. The cash-settled portion is recognised as expenses incurred by employee benefits during the period in which the right to such payment was generated and as debt. The debt is revalued on each balance sheet date.

### Taxes

Tax expenses include current taxes based on the taxable income for the financial year, adjustments of prior year taxes, and changes in deferred taxes. Deferred taxes related to investment properties have been calculated from the difference of the fair value of the properties and the acquisition cost not deducted in taxation.

The change of deferred taxes for the financial year is measured through profit and loss. The calculation of deferred taxes is based on the corporate tax rate confirmed on the balance sheet date.

### Operating profit

The Group defines operating profit as follows: operating profit is the net amount generated when other operating income is added to revenue and when expenses, depreciation and amortization and possible impairments caused by employee benefits as well as the changes in the fair value of investment properties are deducted from it. All income statement items other than those mentioned above are presented below operating profit.

### Earnings per share

Earnings per share are presented as undiluted and adjusted with the dilution impact. Undiluted earnings per share are calculated using the parent company's average number of shares for the financial year. When calculating earnings per share adjusted by the dilution impact, the parent company's average number of shares has been adjusted by the assumed dilution impact of the additional shares offered as a share incentive. If the company had a share issue in the current or previous financial year, the average number of shares of the financial years have been adjusted for share issue when calculating the earnings per share.

**Related party transactions**

A related party is a person or entity that is related to the entity that is preparing its financial statements. The entities are related parties if one entity is controlled or jointly controlled by the reporting entity or the reporting entity has significant influence over the decision-making of the other party. The company's related parties include key management personnel and their family members as well as companies which are controlled or jointly controlled by these persons. Key management personnel include the members of the parent company's Board of Directors as well as the CEO and CFO.

**Main uncertainties in respect of estimates**

When preparing the financial statements, the Group's management must exercise discretion in applying the accounting principles and make estimates and assumptions concerning the contents of the financial statements. The most significant estimates in the Group's financial statements are related to the information concerning the properties, which are used in the fair value calculation model and submitted to an external expert, who performs an appraisal of the property. Key information to be submitted to the external appraiser include property rents, expiration dates of leases, expenses that the lessor continues to be responsible for, such as the plot rent, property tax and insurance, as well as the estimated repair costs of the property. Regarding the aforementioned information, the management must make estimates on the future accumulation of property expenses and repair expenses. When making estimates and assumptions, the management has applied the best knowledge it possesses on the balance sheet date. The actual future outcome may deviate from the estimates and assumptions.

**New and revised standards and interpretations to be used for future financial years**

The IFRS 15 standard came into effect on 1 January 2018, replacing two earlier standards: IAS 18 Revenues and IAS 11 Construction Contracts. The Hoivatilat Group's sales revenues consist entirely of rental income based on leases, meaning that the IFRS 15 standard does not have significant effects on the Group's financial reporting.

IFRS 9 Financial Instruments replaced the IAS 39 standard on 1 January 2018. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 does not have significant impacts on consolidated financial statements.

The amendments to IFRS 2 Share-based Payment took effect on 1 January 2018. The amendments further clarify the accounting treatment of certain types of arrangements. They concern three areas: the measurement of cash-settled payments; share-based payments from which withholding tax has been deducted; and the conversion of share-based payments from cash-settled into equity-settled. Due to the implementation of the amendments, share reward arrangements that are paid in shares in accordance with the net amount after withholding tax are recognised as share-settled arrangements, regardless of the fact that the company pays the related taxes in cash on behalf of the recipients of the rewards. The implementation of the amendments to IFRS 2 increased the company's opening balance sheet total for 2018 by EUR 0.5 million.

**New and amended standards and interpretations to be implemented during future periods**

The Group has not yet applied the following new or amended standards and interpretations published by the IASB. The Group will adopt them as of the effective date of each standard and interpretation, or as of the beginning of the following financial year if the effective date is not the first day of a financial year.

IFRS 16 Leases will take effect on 1 January 2019. According to the company's estimate, the standard will affect the accounting treatment and presentation of land lease agreements in which the Group is the lessee. With the implementation of the standard, plot leases that have previously been treated as other leases in accordance with IAS 17 will be included in the Group's balance sheet. This will increase the value of the Group's investment properties and non-current liabilities by around EUR 34 million. The estimate is based on the lease plot reserve on 31 December 2018 and current terms and conditions.

Other new or amended standards or interpretations did not have a significant effect on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

## 1. OPERATING SEGMENTS

Historically, the Group's resource and result situation has always been assessed as one entity, which is also the basis for the Group's reporting model and administration structure. Therefore, the Group only has one operating segment to be reported on, and the segment's figures and information are consistent with the figures and information of the entire Group. Thus, the income of this operating segment consists of property rental income. The highest decision-making power in the Group rests with the CEO and the parent company's Board of Directors. In 2018, the Group had three clients whose share in the Group's external revenue exceeded the 10% limit. The share of the largest client was 28% and that of the second largest client was 26% and that of the third largest was 11%. In 2017, the Group had three clients whose share in the Group's external revenue was more than 10%. The share of the largest client was 33% and that of the second largest client was 22% and that of the third largest client was 14%. The Group operated only in Finland in the financial year and the preceding financial years.

## 2. REVENUE AND OTHER OPERATING INCOME

| EUR | 2018 | 2017 |
|---|---|---|
| Rental income from properties | 17,182,305 | 12,361,850 |
| Other sales | 0 | 10,942 |
| Grants received | 152,400 | 0 |
| Other operating income | 130,335 | 0 |
| **Total** | **17,465,040** | **12,372,792** |

In 2018 the Group's revenue consisted in full of rental income and other sales generated in Finland and other operating revenues consisted mainly from TEKES-grants and such revenue from tenants which is not considered as rental income. The Group's revenue in 2017 consisted in full of rental income and other sales generated in Finland.

As a rule, fixed term leases of 12–20 years are signed for investment properties, and the leases generally include a deposit equalling the rent of three to six months. The annual rent increases are tied to the cost of living index. The tenants are in principle responsible for the operating and maintenance costs of the properties but during 2018 the company accomplished three life-cycle consept projects where it is responsible for the operating and maintenance costs.

| Value and average maturity of the agreement portfolio | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Value of agreement portfolio at the end of the year | 426,970,745 | 316,045,753 |
| Average maturity of agreement portfolio at the end of the year (years) | 14,9 | 14,4 |

The value of the agreement portfolio includes the signed leases and letters of intent at the current rent levels without the index increase effect.

| Expiration of leases (value of the agreement portfolio) | | |
|---|---|---|
| EUR | **2018** | **2017** |
| In 2019 | 77,222 | 151,371 |
| In 2024 | 1,127,218 | 1,291,560 |
| In 2027 | 1,678,814 | 1,837,107 |
| In 2028 | 7,476,031 | 8,080,785 |
| In 2029 | 15,671,968 | 24,028,446 |
| In 2030 | 43,966,650 | 48,444,906 |
| In 2031 | 33,610,648 | 38,968,001 |
| In 2032 | 79,754,160 | 81,995,701 |
| In 2033 | 58,466,123 | 72,358,409 |
| In 2034 | 85,750,345 | 12,597,084 |
| In 2035 | 10,722,345 | 0 |
| In 2038 | 30,754,821 | 26,292,384 |
| In 2039 | 21,401,520 | 0 |
| In 2040 | 36,512,880 | 0 |
| **Total** | **426,970,745** | **316,045,753** |

| 3. TRANSFERS OF INVESTMENT PROPERTIES AND CHANGES IN FAIR VALUE | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Changes in the fair value of investment properties | 35,626,628 | 25,085,586 |
| Divestment of investment properties | 1,049,268 | 0 |
| **Total** | **36,675,896** | **25,085,586** |

In accordance with IAS 40, investment properties are measured at fair value. The valuation of investment properties and the methods used are covered in the accounting principles and hereafter in Note 10.

| 4. EXPENSES OF EMPLOYEE BENEFITS AND AVERAGE NUMBER OF EMPLOYEES | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Salaries | -2,011,022 | -1,387,356 |
| Pension expenses, defined contribution arrangements | -316,868 | -226,723 |
| Share-based payments | -542,520 | -486,372 |
| Other personnel expenses | -60,280 | -54,956 |
| Capitalised in property acquisition costs | 480,500 | 270,680 |
| **Total** | **-2,450,190** | **-1,884,728** |
| Group's average number of employees | 17 | 13 |

| 5. DEPRECIATION | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Intangible assets | -28,562 | -5,684 |
| Machinery and equipment | -5,234 | -4,386 |
| **Total** | **-33,795** | **-10,070** |

## 6. PROPERTY MAINTENANCE COSTS AND ADMINISTRATIVE COSTS

| EUR | 2018 | 2017 |
|---|---|---|
| **Property maintenance costs** | | |
| Direct maintenance costs of investment properties, which have accumulated rental income during the financial year | -1,275,332 | -961,909 |
| Direct maintenance costs of investment properties, which have not accumulated rental income during the financial year | -32,164 | -49,770 |
| **Total** | **-1,307,496** | **-1,011,679** |

Property maintenance costs include land area rents, property taxes, full-value indemnities of properties, property repair and maintenance costs as well as administrative costs directly allocated to mutual real estate companies.

| EUR | 2018 | 2017 |
|---|---|---|
| **Administrative costs** | | |
| Other operating expenses, which are not allocated to investment properties | -1,869,009 | -1,234,843 |
| **Total** | **-1,869,009** | **-1,234,843** |
| | | |
| **Auditor's fees** | | |
| Audit | -37,898 | -26,955 |
| Certificates and statements | -2,050 | 0 |
| Other services | -6,565 | -35,024 |
| **Total** | **-46,513** | **-61,979** |

## 7. FINANCIAL INCOME AND EXPENSES

| EUR | 2018 | 2017 |
|---|---|---|
| **Financial income** | | |
| Interest income | 867 | 585 |
| **Total** | **867** | **585** |
| | | |
| **Financial expenses** | | |
| Interest expenses | -2,220,703 | -1,582,627 |
| Interest expenses capitalised in the properties' acquisition costs | 163,094 | 182,904 |
| **Total** | **-2,057,609** | **-1,399,723** |

## 8. INCOME TAXES

| EUR | 2018 | 2017 |
|---|---|---|
| Tax based on the taxable income of the financial year | -18,745 | -266,174 |
| Deferred taxes | -9,401,616 | -6,147,600 |
| **Total** | **-9,420,361** | **-6,413,774** |

**Indirect reconciliation calculation of tax expenses and the taxes calculated using parent company's tax rate**

| EUR | 2018 | 2017 |
|---|---|---|
| Profit before taxes | 46,423,703 | 31,917,921 |
| Taxes at the parent company's tax rate on the balance sheet date | -9,284,741 | -6,383,584 |
| Use of tax losses previously not recognised | 2,772 | 5,901 |
| Deferred tax assets not recognised from tax losses | -20,934 | -1,117 |
| Non-deductible expenses | -2,437 | -1,207 |
| Taxes from previous periods | -15 | -3,869 |
| Impact of the incentive system | -40,765 | -33,656 |
| Other items | -74,242 | 3,758 |
| **Taxes in the income statement** | **-9,420,361** | **-6,413,774** |

## 9. EARNINGS PER SHARE

| EUR | 2018 | 2017 |
|---|---|---|
| Profit for the financial year belonging to the parent company's shareholders | 37,003,342 | 25,504,147 |
| Earnings per share, undiluted | 1.46 | 1.05 |
| Earnings per share, adjusted with the dilution effect | 1.45 | 1.04 |
| | | |
| Weighted average number of shares during the financial year, undiluted | 25,414,511 | 24,228,585 |
| Weighted average number of shares during the financial year, diluted | 25,491,042 | 24,408,357 |

**Bridge calculation for earnings per share**

| EUR | 2018 | 2017 |
|---|---|---|
| Weighted average number of shares during the financial year, undiluted | 25,414,511 | 24,228,585 |
| Impact of the share reward system | 76,531 | 179,772 |
| Weighted average number of shares during the financial year, diluted | 25,491,042 | 24,408,357 |

| 10. INVESTMENT PROPERTIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| **Fair value of investment properties, 1 Jan** | **247,066,462** | **154,751,290** |
| Investments in properties under construction and in the starting phase | 79,783,106 | 64,509,168 |
| Other investment property investments | 289,099 | 266,279 |
| Additions from purchased propeties | 1,379,446 | 2,454,138 |
| Divestment of investment properties | -15,245,660 | 0 |
| Profits and losses from changes in fair value | 35,626,628 | 25,085,586 |
| **Fair value of investment properties, 31 Dec** | **348,899,080** | **247,066,462** |

| EUR | 2018 | 2017 |
|---|---|---|
| Completed investment properties | 329,000,000 | 231,400,000 |
| Investment properties under construction | 18,360,223 | 15,007,431 |
| Investment properties in the starting phase (valued at acquisition cost) | 1,538,857 | 659,030 |
| **Total** | **348,899,080** | **247,066,462** |

100% of investment properties under construction have been rented.

The Group is under contractual obligation to complete the investment properties which are under construction or in the starting phase on the balance sheet date. The fulfilment of these obligations requires that the Group invest an acquisition cost amount of approximately EUR 105.1 million in the properties.

## Investment property valuation process

Investment properties are properties that the Group holds in order to obtain rental income or an appreciation in the asset value, or both. The fair value of the investment properties is based on an appraisal performed by an external appraiser. During the financial years 2018 and 2017 the valuation was done by the valuation experts of Realia Management Oy, who, as a rule, are authorised real estate appraisers (AKA) and real estate appraisers holding a general authorisation and approval of the Central Chamber of Commerce (KHK). Realia has defined a market value of 135 (114) properties. Of the appraised properties, 120 (90) were completed and generated cash flow on the balance sheet date and 15 (14) were under construction. The 13 (10) properties, which had been started but had a completion rate of less than 10% on the balance sheet date, are measured at acquisition cost. Realia's statement on the appraisal of the properties is available on the Suomen Hoivatilat website at **www.hoivatilat.fi**

On 31 December 2018, the net operating income of the portfolio (NOI1) calculated using the individual properties appraised was 6.15% (6.46%). All investment properties are Level 3 inputs in the fair value hierarchy.

## Sensitivity analysis of the fair value calculation of investment properties

The portfolio net operating income (NOI1) reflects the relation between the first year's net rental income and the fair value of investment property. The portfolio net operating income is not an initial number used in the valuation of the investment property but a base value whereby different properties can be compared to each other and thus create an overview of the valuation of the portfolio or an individual property. When used in real estate market the portfolio net operating income reflects the yield required by the investor. The net operating income requirement is the most significant parameter affecting the fair value of the investment property. The effect of 1 percentage point change in the portfolio net operating income in the fair value of the investment property on the 31 of December 2018 has been presented in the table below.

| Sensitivity analysis of the fair value calculation of investment properties | | | |
|---|---|---|---|
| | Change in the net operating income requirement | | |
| | **31.12.2018** | **+1.0%** | **-1.0%** |
| Portfolio net operating income | 6.15% | 7.15% | 5.15% |
| Fair value of investment property portfolio | 348,899,080 | 300,102,006 | 416,646,475 |
| Impact of the change in the yield requirement on the fair value of investment properties | | -48,797,074 | 67,747,394 |

## 11. GROUP COMPANIES

The Group includes the parent company Suomen Hoivatilat Oyj and its wholly owned subsidiaries. At the end of the 2018 financial year, the Group included the parent company and 131 limited liability housing companies. During the financial year of 2018 the Group sold all shares of the following seven limited liability housing companies: Kiinteistö Oy Ulvilan Peltotie, Kiinteistö Oy Kouvolan Toukomiehentie B, Kiinteistö Oy Nurmijärven Vehnäpellontie, Kiinteistö Oy Paimion Kämmekkä, Kiinteistö Oy Turun Kukolantie, Kiinteistö Oy Uudenkaupungin Salmenkatu ja Kiinteistö Oy Oulun Ukkoherrantie.

| Company | Group's holding 31 December 2018 | Group's holding 31 December 2017 |
|---|---|---|
| Suomen Hoivatilat Oyj | | |
| Hoivatilat AB | 100% | 0% |
| Kiinteistö Oy Espoon Hirvisuontie | 100% | 100% |
| Kiinteistö Oy Espoon Opettajantie | 100% | 100% |
| Kiinteistö Oy Espoon Vuoripirtintie | 100% | 100% |
| Kiinteistö Oy Heinolan Lähteentie | 100% | 100% |
| Kiinteistö Oy Hollolan Sarkatie | 100% | 100% |
| Kiinteistö Oy Kokkolan Vanha Ouluntie | 100% | 100% |
| Kiinteistö Oy Kotkan Loitsutie | 100% | 100% |
| Kiinteistö Oy Kouvolan Pappilantie | 100% | 100% |
| Kiinteistö Oy Kuopion Rantaraitti | 100% | 100% |
| Kiinteistö Oy Lohjan Ansatie | 100% | 100% |
| Kiinteistö Oy Mäntyharjun Lääkärinkuja | 100% | 100% |
| Kiinteistö Oy Mäntyharjun Taavetintie | 100% | 100% |
| Kiinteistö Oy Nokian Näsiäkatu | 100% | 100% |
| Kiinteistö Oy Orimattilan Suppulanpolku | 100% | 100% |
| Kiinteistö Oy Oulun Ukkoherrantie B | 100% | 100% |
| Kiinteistö Oy Porin Palokärjentie | 100% | 100% |
| Kiinteistö Oy Porvoon Fredrika Runeberginkatu | 100% | 100% |
| Kiinteistö Oy Porvoon Vanha Kuninkaantie | 100% | 100% |
| Kiinteistö Oy Rovaniemen Ritarinne | 100% | 100% |
| Kiinteistö Oy Ruskon Päällistönmäentie | 100% | 100% |
| Kiinteistö Oy Sipoon Satotalmantie | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku A | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku B | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku C | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Puusepänkatu | 100% | 100% |
| Kiinteistö Oy Vantaan Mesikukantie | 100% | 100% |
| Kiinteistö Oy Varkauden Kaura-ahontie | 100% | 100% |
| Kiinteistö Oy Vihdin Koivissillankuja | 100% | 100% |
| Kiinteistö Oy Jyväskylän Haperontie | 100% | 100% |
| Kiinteistö Oy Kajaanin Erätie | 100% | 100% |
| Kiinteistö Oy Keravan Männiköntie | 100% | 100% |
| Kiinteistö Oy Espoon Fallåkerinrinne | 100% | 100% |
| Kiinteistö Oy Espoon Meriviitantie | 100% | 100% |

| Company | Group's holding 31 December 2018 | Group's holding 31 December 2017 |
|---|---|---|
| Kiinteistö Oy Espoon Tikasmäentie | 100% | 100% |
| Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie | 100% | 100% |
| Kiinteistö Oy Jyväskylän Väliharjuntie | 100% | 100% |
| Kiinteistö Oy Kajaanin Menninkäisentie | 100% | 100% |
| Kiinteistö Oy Kangasalan Mäntyveräjäntie | 100% | 100% |
| Kiinteistö Oy Kirkkonummen Kotitontunkuja | 100% | 100% |
| Kiinteistö Oy Kouvolan Kaartokuja | 100% | 100% |
| Kiinteistö Oy Kouvolan Vinttikaivontie | 100% | 100% |
| Kiinteistö Oy Kuopion Sipulikatu | 100% | 100% |
| Kiinteistö Oy Lahden Vallesmanninkatu A | 100% | 100% |
| Kiinteistö Oy Lahden Vallesmanninkatu B | 100% | 100% |
| Kiinteistö Oy Laukaan Hytösenkuja | 100% | 100% |
| Kiinteistö Oy Limingan Kauppakaari | 100% | 100% |
| Kiinteistö Oy Loviisan Mannerheiminkatu | 100% | 100% |
| Kiinteistö Oy Maskun Ruskontie | 100% | 100% |
| Kiinteistö Oy Mäntsälän Liedontie | 100% | 100% |
| Kiinteistö Oy Nokian Vikkulankatu | 100% | 100% |
| Kiinteistö Oy Nurmijärven Laidunalue | 100% | 100% |
| Kiinteistö Oy Oulun Kehätie | 100% | 100% |
| Kiinteistö Oy Oulun Paulareitti | 100% | 100% |
| Kiinteistö Oy Oulun Rakkakiventie | 100% | 100% |
| Kiinteistö Oy Pirkkalan Lehtimäentie | 100% | 100% |
| Kiinteistö Oy Porin Ojantie | 100% | 100% |
| Kiinteistö Oy Porvoon Peippolankuja | 100% | 100% |
| Kiinteistö Oy Raision Tenavakatu | 100% | 100% |
| Kiinteistö Oy Siilinjärven Sinisiipi | 100% | 100% |
| Kiinteistö Oy Tampereen Lentävänniemenkatu | 100% | 100% |
| Kiinteistö Oy Turun Teollisuuskatu | 100% | 100% |
| Kiinteistö Oy Turun Vakiniituntie | 100% | 100% |
| Kiinteistö Oy Turun Vähäheikkiläntie | 100% | 100% |
| Kiinteistö Oy Vantaan Koetilankatu | 100% | 100% |
| Kiinteistö Oy Vantaan Punakiventie | 100% | 100% |
| Kiinteistö Oy Vantaan Tuovintie | 100% | 100% |
| Kiinteistö Oy Vantaan Vuohirinne | 100% | 100% |
| Kiinteistö Oy Vihdin Vanhan-Sepän tie | 100% | 100% |
| Kiinteistö Oy Ylöjärven Mustarastaantie | 100% | 100% |
| Kiinteistö Oy Ylöjärven Työväentalontie | 100% | 100% |
| Kiinteistö Oy Euran Käräjämäentie | 100% | 100% |
| Kiinteistö Oy Hämeenlinnan Jukolanraitti | 100% | 100% |
| Kiinteistö Oy Iisalmen Eteläinen puistoraitti | 100% | 100% |
| Kiinteistö Oy Iisalmen Kangaslammintie | 100% | 100% |
| Kiinteistö Oy Jyväskylän Mannisenmäentie | 100% | 100% |

| Company | Group's holding 31 December 2018 | Group's holding 31 December 2017 |
|---|---|---|
| Kiinteistö Oy Kaarinan Nurminiitynkatu | 100% | 100% |
| Kiinteistö Oy Kajaanin Valonkatu | 100% | 100% |
| Kiinteistö Oy Kalajoen Hannilantie | 100% | 100% |
| Kiinteistö Oy Keuruun Tehtaantie | 100% | 100% |
| Kiinteistö Oy Kuopion Amerikanraitti 10 | 100% | 100% |
| Kiinteistö Oy Lahden Jahtikatu | 100% | 100% |
| Kiinteistö Oy Lahden Piisamikatu | 100% | 100% |
| Kiinteistö Oy Lappeenrannan Orioninkatu | 100% | 100% |
| Kiinteistö Oy Mikkelin Väänäsenpolku | 100% | 100% |
| Kiinteistö Oy Mikkelin Ylännetie 10 | 100% | 100% |
| Kiinteistö Oy Mikkelin Ylännetie 8 | 100% | 100% |
| Kiinteistö Oy Nurmijärven Ratakuja | 100% | 100% |
| Kiinteistö Oy Paimion Mäkiläntie | 100% | 100% |
| Kiinteistö Oy Pihtiputaan Nurmelanpolku | 100% | 100% |
| Kiinteistö Oy Pirkkalan Pereensaarentie | 100% | 100% |
| Kiinteistö Oy Porin Koekatu | 100% | 100% |
| Kiinteistö Oy Raahen Palokunnanhovi | 100% | 100% |
| Kiinteistö Oy Rovaniemen Matkavaarantie | 100% | 100% |
| Kiinteistö Oy Sastamalan Tyrväänkyläntie | 100% | 100% |
| Kiinteistö Oy Siilinjärven Risulantie | 100% | 100% |
| Kiinteistö Oy Sipoon Aarrepuistonkuja | 100% | 100% |
| Kiinteistö Oy Sipoon Aarretie | 100% | 100% |
| Kiinteistö Oy Tornion Torpin Rinnakkaiskatu | 100% | 100% |
| Kiinteistö Oy Turun Lukkosepänkatu | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merilinnuntie | 100% | 100% |
| Kiinteistö Oy Varkauden Savontie | 100% | 100% |
| Kiinteistö Oy Vihdin Pengerkuja | 100% | 100% |
| Kiinteistö Oy Iisalmen Petter Kumpulaisentie | 100% | 0% |
| Kiinteistö Oy Iisalmen Vemmelkuja | 100% | 0% |
| Kiinteistö Oy Janakkalan Kekanahontie | 100% | 0% |
| Kiinteistö Oy Joutsenon päiväkoti | 100% | 0% |
| Kiinteistö Oy Jyväskylän Ailakinkatu | 100% | 0% |
| Kiinteistö Oy Jyväskylän Palstatie | 100% | 0% |
| Kiinteistö Oy Jyväskylän Vävypojanpolku | 100% | 0% |
| Kiinteistö Oy Kajaanin Hoikankatu | 100% | 0% |
| Kiinteistö Oy Kokkolan Ankkurikuja | 100% | 0% |
| Kiinteistö Oy Kouvolan Ruskeasuonkatu | 100% | 0% |
| Kiinteistö Oy Kuopion Portti A2 | 100% | 0% |
| Kiinteistö Oy Laihian Jarrumiehentie | 100% | 0% |
| Kiinteistö Oy Laukaan Saratie | 100% | 0% |
| Kiinteistö Oy Mynämäen Opintie | 100% | 0% |
| Kiinteistö Oy Oulun Sarvisuontie | 100% | 0% |

| Company | Group's holding 31 December 2018 | Group's holding 31 December 2017 |
|---|---|---|
| Kiinteistö Oy Oulun Soittajanlenkki | 100% | 0% |
| Kiinteistö Oy Pieksämäen Ruustinnantie | 100% | 0% |
| Kiinteistö Oy Porvoon Haarapääskyntie | 100% | 0% |
| Kiinteistö Oy Raahen Vihastenkarinkatu | 100% | 0% |
| Kiinteistö Oy Siilinjärven Honkarannantie | 100% | 0% |
| Kiinteistö Oy Siilinjärven Nilsiäntie | 100% | 0% |
| Kiinteistö Oy Sotkamon Kirkkotie | 100% | 0% |
| Kiinteistö Oy Turun Paltankatu | 100% | 0% |
| Kiinteistö Oy Vaasan Vanhan Vaasankatu | 100% | 0% |
| Kiinteistö Oy Vantaan Koivukylän Puistotie | 100% | 0% |
| Kiinteistö Oy Vihdin Hiidenrannantie | 100% | 0% |
| Kiinteistö Oy Ylivieskan Mikontie 1 | 100% | 0% |
| Kiinteistö Oy Ylivieskan Ratakatu 12 | 100% | 0% |
| Kiinteistö Oy Äänekosken Likolahdenkatu | 100% | 0% |
| Kiinteistö Oy Ulvilan Peltotie | 0% | 100% |
| Kiinteistö Oy Kouvolan Toukomiehentie B | 0% | 100% |
| Kiinteistö Oy Nurmijärven Vehnäpellontie | 0% | 100% |
| Kiinteistö Oy Paimion Kämmekkä | 0% | 100% |
| Kiinteistö Oy Turun Kukolantie | 0% | 100% |
| Kiinteistö Oy Uudenkaupungin Salmenkatu | 0% | 100% |
| Kiinteistö Oy Oulun Ukkoherrantie | 0% | 100% |

The address of the Parent company and all Group companies is Lentokatu 2, 90460 Oulunsalo.
The address of Hoivatilat Ab is Svärdvägen 21, 18233 Danderyd, Sweden.

## 12. DEFERRED TAXES

| EUR | 2018 | 2017 |
|---|---|---|
| **Deferred tax assets** | | |
| From transaction costs recognised in equity in the share issue | 117,698 | 247,646 |
| From other comprehensive income items | 237,735 | 39,319 |
| From the share-based incentive system | 8,345 | 90,817 |
| **Total** | **363,778** | **377,783** |
| **Deferred tax liabilities** | | |
| From measuring investment properties at fair value | 23,588,073 | 14,203,407 |
| Other items | 30,790 | 226,260 |
| **Total** | **23,618,863** | **14,429,667** |

## 13. TRADE RECEIVABLES AND OTHER RECEIVABLES

| EUR | 2018 | 2017 |
|---|---|---|
| Trade receivables | 453,054 | 140,359 |
| Accrued income | 863,065 | 482,920 |
| Other receivables | 2,139,656 | 111,487 |
| **Total** | **3,455,775** | **734,766** |

Trade receivables on 31 December 2018 included 117,266.25 euros worth of overdue trade receivables.
No credit losses were recognised on trade receivables during financial years 2018 and 2017.

## 14. CASH AND CASH EQUIVALENTS

| EUR | 2018 | 2017 |
|---|---|---|
| Cash and bank accounts | 11,382,638 | 9,844,945 |
| **Total** | **11,382,638** | **9,844,945** |

## 15. EQUITY

### Share capital
Suomen Hoivatilat Oyj has one series of shares. On 31 December 2018, the company's share capital was EUR 80,000 and the number of shares was 25,439,229. The company did not hold any own shares. Each share confers one vote in the Annual General Meeting. The share does not have a nominal value. All shares issued have been paid in full.

### Invested non-restricted equity reserve
The invested non-restricted equity reserve includes other equity investments and share subscription to the extent that it is not recognised in share capital by a specific decision.

### Authorisations
The Annual General Meeting on 27 March 2018 authorised the Board of Directors to make a decision on the issuance of up to 2,500,000 new shares or shares held by the company, in one or more paid share issues. These share issues may be directed share issues or share issues in accordance with the pre-emptive subscription rights of the shareholders. The authorisation can also be used for company incentive schemes. Based on the authorisation, up to 250,000 shares can be issued for incentive schemes. The share issue authorisation of the Board of Directors is valid until the end of the next Annual General Meeting, but no later than 30 June 2019.

### Dividends
In 2018, the dividend distributed was EUR 0.13 per share, totalling EUR 3,307,099.77. The number of shares entitling to the dividend paid in 2018 was 25,288,859. In 2017, the dividend distributed was EUR 0.10 per share, totalling EUR 2,078,885.90. The number of shares entitling to the dividend paid in 2017 was 20,788,859.

After the end date of the reporting period, Suomen Hoivatilat Oyj's Board of Directors has proposed that a dividend of EUR 0.17 per share be distributed, totalling EUR 4,324,668.93.

### Changes in the number of shares and the corresponding changes in equity

| | Number of shares | Share capital | Invested non-restricted equity reserve | Total |
|---|---|---|---|---|
| **1 Jan 2017** | **20,788,859** | **80,000** | **39,109,917** | **39,189,917** |
| Share issue | | | | 31,500,000 |
| Transaction costs of the share issue with the adjusted impact of deferred taxes | | | | -889,406 |
| **31 Dec 2017** | **25,288,859** | **80,000** | **69,720,511** | **69,800,511** |
| | | | | |
| **1 Jan 2018** | **25,288,859** | **80,000** | **69,720,511** | **69,800,511** |
| Share issue | 150,370 | | 1,504 | 1,504 |
| **31 Dec 2018** | **25,439,229** | **80,000** | **69,722,015** | **69,802,015** |

## 16. SHARE-BASED PAYMENTS

### Share reward system 2015

In accordance with the authorisation issued by the Annual General Meeting on 8 April 2014, the Board of Directors of Suomen Hoivatilat Oyj decided, on 12 December 2014, on the implementation of a share reward system for the management and key personnel as of the beginning of 2015. In accordance with the conditions of the share reward system 2015 approved by the Board of Directors on 10 February 2015, the system consists of three performance periods covering the calendar years 2015–2017. The target group of the system includes the Group's key personnel designated by the Board of Directors for each performance period. The system participants have the opportunity to earn company shares as a reward for meeting the earnings objectives set by the Board of Directors for each performance period separately. The Board of Directors decides separately on the maximum reward of each participant for each performance period. In addition to the net number of the shares to be subscribed for, the reward includes a monetary portion, which covers the taxes and tax-like payments incurred to the participant by the reward. However, the maximum monetary amount to be paid is an amount equalling the fair value of the shares. The reward is paid to the participants no later than by the end of April of the year following each performance period.

### Share reward system 2015, calendar years 2015 and 2016

On 10 February 2015, the Board of Directors of Suomen Hoivatilat Oyj decided on the criteria of performance periods 2015 and 2016 of the share reward system 2015. The reward criteria of performance period 2015 were tied to the Group's net assets on 31 December 2015. The reward criteria of performance period 2016 was the trading of Suomen Hoivatilat Oyj's shares on Nasdaq OMX's First North no later than 31 December 2016. The maximum reward quantity of performance period 2015 was 35,700 shares, of which a total of 18,108 shares were paid as a reward. The maximum reward quantity of performance period 2015 was 28,800 shares, of which a total of 28,800 shares were paid as a reward to the company's CEO and CFO. The shares from performance periods 2015 and 2016 may not be transferred, pledged or otherwise used before the vesting period ends on 31 December 2018. If the employment or service agreement of the person who received the reward ends during the vesting period, the shares received as a reward must be returned to the company without compensation.

### Share reward system 2015, calendar years 2016–2017

On 26 April 2016, the Board of Directors of Suomen Hoivatilat Oyj decided on the criteria of performance period 2015–2017 of the share reward system 2015. The total number of shares to be paid as the reward is tied to the company's performance measured by the total shareholder return (TSR). The maximum reward quantity for performance period 2016–2017 is 180,000 shares. The shares from performance periods 2016–2017 may not be transferred, pledged or otherwise used before the vesting period ends on 31 December 2019. If the employment or service agreement of the person who received the reward ends during the vesting period, the shares received as a reward must be returned to the company without compensation.

| Parameters used in the 2015 recognition of the share reward programme | 2016–2017 | 2016 | 2015 |
|---|---|---|---|
| Share issuance date | 26 Apr 2016 | 10 Feb 2015 | 10 Feb 2015 |
| Maximum number of shares to be given as a reward | 180,000 | 28,800 | 35,700 |
| Share value, EUR | 3.63 | 2.19 | 2.19 |
| Performance period | 1 Jan 2016–31 Dec 2017 | 1 Jan 2015–31 Dec 2016 | 1 Jan 2015–31 Dec 2015 |
| Vesting period ends | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2018 |
| Estimated success rate, % | 83.5% | 100.0% | 50.7% |
| Actual success rate, % | - | 100.0% | 50.7% |
| Debt related to the share reward programme on the balance sheet date | 0 | 0 | 0 |

The portion of share rewards measured through profit and loss is presented in Note 4. The shares received as a reward are technically recognised at the subscription price of EUR 0.01 per share after the performance period. The impact of these share options has been taken into consideration when calculating the diluted key figure per share in Note 9.

### Share reward system 2018

In accordance with the authorisation issued by the Annual General Meeting on 27 March 2018, the Board of Directors of Suomen Hoivatilat Oyj decided, on 12 June 2018, to continue the long-term incentive scheme for the company's personnel. The scheme was established as part of the incentive and loyalty system for the personnel of the company and its subsidiaries. The purpose is to unify the goals of the owners and the employees to raise the value of the company over the long term, as well as keeping the employees engaged with the company and offering them a competitive reward system based on the earning and accumulation of company shares. The system has two (2) earning periods, with earning period I running from 1 June 2018 to 30 November 2019 and earning period II from 1 June 2018 to 31 May 2021. The earning criterion to be applied to the share reward programme is total shareholder return (TSR) during the earning period. Under this programme, a maximum of 250,000 shares will be paid out to employees, as well as a cash portion to cover the taxes incurred by the recipients of the rewards. The Board of Directors decides separately on the maximum reward for each participant for each earning period. The maximum reward is 66,500 shares for earning period I and 133,500 for earning period II. The Board of Directors may decide to amend the maximum reward amounts within the framework of the maximum authorisation (250,000 shares) for the 2018 share reward programme.

The shares from earning period I may not be transferred, pledged or otherwise used before the vesting period ends on 31 May 2021. The shares from earning period II may not be transferred, pledged or otherwise used before the vesting period ends on 30 November 2022. If the employment or service contract of the person who received the reward ends during the vesting period, the shares received as a reward must be returned to the company without compensation.

| Parameters used in the 2018 recognition of the share reward programme | Performance period I | Performance period II |
|---|---|---|
| Share issuance date | 12 Jun 2018 | 12 Jun 2018 |
| Maximum number of shares to be given as a reward | 66,500 | 133,500 |
| Share value, EUR | 7.53 | 7.53 |
| Performance period | 1.6.2018–30.11.2019 | 1.6.2018–31.5.2021 |
| Vesting period ends | 31.5.2021 | 30.11.2022 |
| Estimated success rate, % | 9.5% | 17.5% |
| The expected cost effect of the programme | 103,747 | 380,989 |
| The highest possible total cost of the programme | 1,091,304 | 2,182,609 |
| People covered by the programme on 31 December 2018 | 19 | 19 |

## 17. FINANCIAL LIABILITIES

| EUR | 2018 | 2017 |
|---|---|---|
| **Non-current financial liabilities measured at amortised cost** | | |
| Loans from financial institutions | 158,809,420 | 101,156,352 |
| **Total** | **158,809,420** | **101,156,352** |

| **Current financial liabilities measured at amortised cost** | **2018** | **2017** |
|---|---|---|
| Bank overdrafts | 920,639 | 0 |
| Loans from financial institutions | 10,719,508 | 8,901,139 |
| **Total** | **11,640,147** | **8,901,139** |

The Group's bank loans have a variable interest rate. The Group's average interest rate on 31 December 2018 was 1.47% (1.54% in 2017). The amounts of the Group's variable-rate loans and their repricing periods in accordance with the agreement are as follows:

| | 2018 | 2017 |
|---|---|---|
| Less than 3 months | 0 | 0 |
| 3–6 months | 88,368,677 | 29,237,969 |
| 6–12 months | 82,080,891 | 80,816,521 |
| **Total** | **170,449,568** | **110,054,490** |

## 18. TRADE PAYABLES AND OTHER LIABILITIES

| EUR | 2018 | 2017 |
|---|---|---|
| **Current liabilities measured at amortised cost** | | |
| Advances received | 10,800 | 116,118 |
| Trade payables | 3,062,111 | 2,171,281 |
| Accrued expenses | 5,054,205 | 1,814,171 |
| Other liabilities | 155,159 | 149,838 |
| **Total** | **8,282,274** | **4,251,408** |

| EUR | 2018 | 2017 |
|---|---|---|
| **Current liabilities recognised at fair value through profit and loss** | | |
| Derivative contracts, in hedge accounting | 1,188,674 | 196,567 |
| **Total** | **1,188,674** | **196,567** |

## 19. MANAGEMENT OF FINANCIAL RISKS

By managing financial risks, the Group aims to secure effective and competitive funding for its operations and reduce the negative impact of the fluctuations in the financial market on its operations. In order to manage financial risks, the Group uses a broad circle of financers, diverse selection of financial instruments and maturity division as well as maintains a sufficient capital adequacy ratio. The goal of refinancing risk management is to ensure that the Group's loan portfolio and the unused credit facilities are diverse and large enough from the perspective of the loan repayment schedule, investments and any other funding needs. Suomen Hoivatilat only uses derivative instruments to reduce or eliminate the financial risks in the balance sheet. The instability of the financial market may impact the availability of growth funding and refinancing as well as financial expenses in the future.

### Interest rate risk

The Group's most important financial risk is the interest rate risk targeting the loan portfolio. The Company has an interest rate hedging policy confirmed by the Board of Directors. The objective of managing interest rate risks is to reduce the negative impact of the fluctuation of the market rates on the Company's result, financial position and cash flow. According to the interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate tying period is two (2) years +/- six (6) months. At the end of 2015, the company signed instalment-free interest rate swaps with a nominal value of EUR 16 million, which will mature in 2020. In addition, the Company has signed instalment-free interest rate swaps with a nominal value of EUR 35 million, which became effective in December 2018 and will mature in 2023. The Company has also signed instalment-free interest rate swaps with nominal value of EUR 10 million, which will become effective in March 2019 and mature in 2024. These interest rate swaps will be used to hedge both current loans and loans to be withdrawn in the future, and their purpose is to hedge future variable-rate loans generally against interest rate risk. In accordance with the agreement, the Company pays the counterparty a fixed annual interest rate and receives variable Euribor interest rate. More detailed information on the nominal and market values of interest rate swaps on the balance sheet date is available below in Note 20 of the consolidated financial statements.

The interest sensitivity of the loan portfolio of Suomen Hoivatilat at the end of 2018 is indicated by the fact that a change of one percentage point in the money market interest rates would increase the annual interest rate expenses by EUR 1.2 million (in 2017, by EUR 0.9 million).

Of the interest-bearing loans, 0.0% is tied to the under 3-month Euribor rate and 100% is tied to the 3–12-month Euribor rate. At the end of 2018, 35.8% of the company's interest-bearing liabilities had been hedged by interest rate swaps, and the interest rate tying period, which describes the average interest rate fixing date, was 1.93 years. The remaining loan period of interest-bearing liabilities weighted with capital was 8.8 years.

### Liquidity and counterparty risk

The Group's management assesses and continuously monitors the amount of funding required by the operations in order to ensure that the Group's liquid assets are sufficient for funding the operations and repaying maturing loans. Counterparty risk of funding is generated when the contracting party in a funding transaction is not necessarily capable of fulfilling its obligations. In order to manage the liquidity and counterparty risk, Suomen Hoivatilat uses a broad circle of financers and maintains such capital adequacy as it deems appropriate. The Group's long-term funding has been organised through several Finnish financial institutions. For short-term funding needs, the Group has checking accounts with overdraft facilities.

The company's financial assets on 31 December 2018 stood at EUR 41.5 million, consisting of cash assets (EUR 11.4 million), undrawn credit facilities (EUR 6.1 million), undrawn investment loans based on loan agreements (EUR 14.0 million) and the undrawn portion (EUR 10.0 million) of the loan based on the financing agreement with the European Investment Bank (EIB). In addition, the company has an option for EUR 20 million in additional funding from the EIB on the terms and conditions of an earlier agreement. .

### Loan covenants

The company's loan arrangements include regular collateral and covenants. The company uses collateral in the loan arrangements, and its loan arrangements include regular prohibitions concerning pledges. On the balance sheet date, the company had EUR 170.4 million in interest-bearing loans, of which EUR 56.3 million is subject to covenants related to the ratio between the fair value of the asset and the loan (loan-to-value ratio, LTV) and EUR 20 million (included in the share subject to the LTV covenants mentioned above) is subject to covenants related to the ratio between EBITDA and net financial expenses (interest coverage ratio, ICR), in addition to LTV covenants. Non-compliance with the covenants may result in the bank requiring additional amortisation of debt in order to rectify the situation or, alternatively, cancelling all bonds for immediate repayment.

## Exchange rate risk

The properties owned by and main part of the business operations of Suomen Hoivatilat are located in Finland, and thus the Group is not exposed to notable exchange rate risk. The effect of the Swedish business operations started in 2018 to Group's financial statements is minor.

## Credit risk

The management of Suomen Hoivatilat Group's credit risk focuses on management of customer risks. Customers' creditworthiness is assessed before leases are signed, and a deposit equalling the rent of 3–6 months is typically included in new leases. Any overdue receivables are first subjected to internal collection measures. If they fail to produce results, the collection of the overdue receivable is handed over to a specialised outsourcing partner.

**Maturity of repayments of financial liabilities and of financial expenses**

| | Cash flow based on agreement | | | | | |
|---|---|---|---|---|---|---|
| **31 Dec 2018, EUR** | Less than 1 year | 1–2 year | 2–5 year | More than 5 year | Total | Balance sheet value |
| Bank loans | 13,730,809 | 14,019,986 | 46,543,815 | 107,925,434 | 182,220,044 | 170,443,891 |
| Interest rate derivatives | 468,537 | 869,787 | 829,075 | 0 | 2,167,398 | 1,188,674 |
| Trade payables and other liabilities | 3,228,070 | | | | 3,228,070 | 3,228,070 |
| **Total** | **17,427,415** | **14,889,773** | **47,372,890** | **107,925,434** | **187,615,512** | **174,860,635** |

| **31 Dec 2017, EUR** | Less than 1 year | 1–2 year | 2–5 year | More than 5 year | Total | Balance sheet value |
|---|---|---|---|---|---|---|
| Bank loans | 10,597,788 | 9,994,322 | 30,709,318 | 69,554,904 | 120,856,332 | 110,057,490 |
| Interest rate derivatives | 91,040 | 519,440 | 718,467 | 0 | 1,328,947 | 196,567 |
| Trade payables and other liabilities | 2,437,237 | | | | 2,437,237 | 2,437,237 |
| **Total** | **13,126,065** | **10,513,762** | **31,427,785** | **69,554,904** | **124,622,516** | **112,691,294** |

| **31 Dec 2018 Interest rate swaps** | **Weighted maturity** | **Nominal value** | **Fair value** |
|---|---|---|---|
| Interest rate swaps | 4.13 | 61,000,000 | -1,188,674 |

| **31.12.2017 Interest rate swaps** | **Weighted maturity** | **Nomina value** | **Fair value** |
|---|---|---|---|
| Interest rate swaps | 4.15 | 41,000,000 | -196,567 |

### Required rate of return risk in the market related to investment properties

Changes in the rates of return in the market may considerably impact the company's result development through the fair value of the investment properties. As the required rates of return in the market increase, the fair values of properties decrease, and vice versa. Value changes either decrease or increase the company's operating profit and net result. Changes in the required rates of return in the market do not have a direct impact on the company's revenue, operating result or cash flow. However, the negative value change of investment properties may increase the LTV key figure so that the covenant condition of some loan agreements is realised, which might result in a need to make additional repayments for these loans or to repay the liabilities in full.

### Management of capital

The objective of capital management is to maintain the Group's optimal capital structure, which helps the company ensure the regular prerequisites of business operations and grow shareholder value in the long term. The management and Board of Directors monitor the company's capital structure and liquidity development. The objective of monitoring is to ensure the company's liquidity and the flexibility of the capital structure in order to implement the growth strategy and dividend distribution policy. The managed capital consists of equity as shown in the consolidated balance sheet, and its structure can be affected by means of funds from operations, dividend distribution and share issues.

The Group monitors the development of its capital structure by means of the share of equity in the total capital (equity ratio). At the end of financial year 2018, equity ratio was 44.5% (50.1% in 2017).

## 20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table shows the fair values and book values of each financial asset and liabilities item, which correspond to the values in the consolidated balance sheet. The table also shows the hierarchy levels of the fair values.

| EUR, 2018 | Book value | Fair value | Fair value hierarchy |
|---|---|---|---|
| **Financial assets** | | | |
| **Loans and other receivables** | | | |
| **Current** | | | |
| Trade receivables | 453,054 | 453,054 | |
| Other receivables | 3,002,721 | 3,002,721 | |
| Cash and cash equivalents | 11,382,638 | 11,382,638 | |
| **Financial assets, total** | **14,838,412** | **14,838,412** | |
| | | | |
| **Financial liabilities** | | | |
| **Measured at amortised cost** | | | |
| **Non-current** | | | |
| Bank loans | 158,809,420 | 158,809,420 | 2 |
| **Current** | | | |
| Bank loans | 11,640,147 | 11,640,147 | 2 |
| Trade payables and other liabilities | 3,228,070 | 3,228,070 | |
| **Measured at fair value** | | | |
| **Current** | | | |
| Interest rate swaps, in hedge accounting | 1,188,674 | 1,188,674 | 2 |
| **Financial liabilities, total** | **174,866,311** | **174,866,311** | |

| EUR, 2017 | Book value | Fair value | Fair value hierarchy |
|---|---|---|---|
| **Financial assets** | | | |
| **Loans and other receivables** | | | |
| **Current** | | | |
| Trade receivables | 140,359 | 140,359 | |
| Other receivables | 594,407 | 594,407 | |
| Cash and cash equivalents | 9,844,945 | 9,844,945 | |
| **Financial assets, total** | **10,579,710** | **10,579,710** | |
| | | | |
| **Financial liabilities** | | | |
| **Measured at amortised cost** | | | |
| **Non-current** | | | |
| Bank loans | 101,156,352 | 101,156,352 | 2 |
| **Current** | | | |
| Bank loans | 8,901,139 | 8,901,139 | 2 |
| Trade payables and other liabilities | 2,437,237 | 2,437,237 | |
| **Measured at fair value** | | | |
| **Current** | | | |
| Interest rate swaps, in hedge accounting | 196,567 | 196,567 | 2 |
| **Financial liabilities, total** | **112,691,294** | **112,691,294** | |

## 21. ADJUSTMENTS OF CASH FLOWS FROM OPERATIONS

| EUR | 2018 | 2017 |
|---|---|---|
| **Non-cash transactions and other adjustments** | | |
| Depreciation | 33,795 | 10,070 |
| Share-based payments | -793,662 | 168,282 |
| Changes in the fair value of investment properties | -36,675,896 | -25,085,586 |
| **Total** | **-37,435,762** | **-24,907,234** |

## 22. OTHER LEASES

### Group as a lessor

Information concerning the investment properties leased out by the Group is provided in Note 2.

### Group as a lessee

The Group's leases mainly consist of land lease agreements and leases of facilities used by the parent company. The lease period in the land lease agreements is typically 30–50 years. Facility leases are in effect until further notice and their period of notice is 3–4 months. In addition, the Group has leased office equipment and vehicles with leases of 3–4 years. The land lease agreements and facility leases include an index clause.

**Minimum rents payable based on non-cancellable other leases**

| EUR | 2018 | 2017 |
|---|---|---|
| **Leasing liabilities** | | |
| Within one year | 55,616 | 44,494 |
| In one to five years | 45,779 | 25,413 |
| In more than five years | 0 | 0 |
| **Leasing liabilities, total** | **101,395** | **69,907** |
| | | |
| **Land lease liabilities** | | |
| Within one year | 826,655 | 677,738 |
| In one to five years | 3,306,619 | 2,710,951 |
| In more than five years | 29,631,841 | 24,955,817 |
| **Land lease liabilities, total** | **33,765,114** | **28,344,505** |
| | | |
| **Leasing and lease liabilities** | | |
| Within one year | 882,271 | 722,232 |
| In one to five years | 3,352,397 | 2,736,363 |
| In more than five years | 29,631,841 | 24,955,817 |
| **Leasing and land lease liabilities, total** | **33,866,509** | **28,414,412** |

## 23. COLLATERAL PROVIDED, CONTINGENT LIABILITIES AND OTHER LIABILITIES

| EUR | 2018 | 2017 |
|---|---|---|
| **Property mortgages** | | |
| Loans from financial institutions | 170,449,567 | 110,057,490 |
| Mortgages provided | 228,364,213 | 170,837,163 |
| **Mortgages total** | **228,364,213** | **170,837,163** |

| Pledged property shares | 2018 | 2017 |
|---|---|---|
| Pledged investment properties | 244,584,100 | 90,104,821 |
| **Pledges total** | **244,584,100** | **90,104,821** |

### Other liabilities

Audit obligation related to value added tax on property investments

Suomen Hoivatilat Oy's subsidiaries, Kiinteistö Oy Siilinjärven Sinisiipi, Kiinteistö Oy Mäntyharjun Lääkärinkuja, Kiinteistö Oy Uudenkaupungin Merimetsopolku A, Kiinteistö Oy Ylivieskan Ratakatu 12, Kiinteistö Oy Ylivieskan Mikontie 1 and Kiinteistö Oy Siilinjärven Risulantie, must review the VAT deductions they have made on completed property investments if the taxable use of the properties decreases during the review period. The final years of review will be 2021, 2026, 2026, 2027, 2027 and 2027, respectively. The return liability stood at EUR 2,636,750 on the balance sheet date.

## 24. RELATED PARTY TRANSACTIONS

Rakennusliike Lapti Oy and Rakennusliike Lehto construction companies are among the Group's construction partners. Timo Pekkarinen, member of Suomen Hoivatilat Oyj's Board of Directors, is the Board member and shareholder of Rakennusliike Lapti Oy and the Managing Director of Rakennusliike Lapti Oy's parent company Lapti Group Oy. Pertti Huuskonen, chairman of the Board of Directors of Suomen Hoivatilat Oyj is a shareholder of Rakennusliike Lehto Oy's parent company Lehto Group Oyj and was also the chairman of the Board of Directors of Lehto Group Oyj until the 11 of April 2018. Rakennusliike Lehto Oy is not considered as a related party company after 11 April 2018.

| Business transactions with external related party companies | 2018 | 2017 |
|---|---|---|
| Construction contracts invoiced by Rakennusliike Lapti Oy | 6,243,318 | 26,029,035 |
| Construction contracts invoiced by Rakennusliike Lehto Oy | 0 | 1,003,962 |
| Group's trade payables to Rakennusliike Lapti Oy 31 Dec | 948,842 | 1,495,797 |
| Group's trade payables to Rakennusliike Lehto Oy 31 Dec | 0 | 0 |

### Management remuneration and employee benefits

The management key employees are the Board of Directors, CEO and the management team.

| CEO's remuneration and other short-term employee benefits | 2018 | 2017 |
|---|---|---|
| Salaries and fringe benefits | 240,000 | 197,897 |
| Performance-related pay | 92,524 | 84,000 |
| Share rewards | 1,095,148 | 0 |
| **Total** | **1,427,672** | **281,897** |

The CEO's retirement age and pension are determined in accordance with the general regulations, and the TyEL pension expenses are paid on an accrual basis. The CEO's period of notice is six months and the severance pay equals six months' pay in addition to the monthly compensation during the period of notice.

| Employee benefits of the management team | 2018 | 2017 |
|---|---|---|
| Salaries and fringe benefits | 577,229 | 523,049 |
| Share rewards | 1,095,164 | 0 |
| **Total** | **1,672,393** | **523,049** |

The Annual General Meeting held on 27 March 2018 resolved to pay monthly compensation to the members of the Board of Directors as follows: EUR 3,750 to the chairman of the Board and EUR 1,667 to each member of the Board. In addition to the annual compensation, the Board members are paid a meeting attendance compensation of EUR 600 per meeting and the chairman of the Board is paid EUR 1,200 per meeting, and the chairman of each committee is paid EUR 600 and the committee members are paid EUR 400 per committee meeting. An increase of 150% applies if the travel time to attend a meeting is more than three hours.

| Board members | 2018 | 2017 |
|---|---|---|
| Pertti Huuskonen, chairman | 58,350 | 47,500 |
| Satu Ahlman (Board member since 23 February 2017) | 28,753 | 22,400 |
| Harri Aho (Board member since 27 March 2018) | 23,603 | 0 |
| Kari Nenonen (Board member since 27 March 2018) | 24,303 | 0 |
| Timo Pekkarinen | 26,753 | 21,300 |
| Reijo Tauriainen | 28,953 | 27,500 |
| Mammu Kaario (Board member until 27 March 2018) | 7,950 | 26,000 |
| Kristiina Hautakangas (Board member until 23 February 2017) | 0 | 2,100 |
| **Total** | **198,665** | **146,800** |

| Shareholding of Board members, CEO and management team | 2018 | 2017 |
|---|---|---|
| CEO | 361,916 | 292,515 |
| Board | 1,063,815 | 1,475,951 |
| Management team | 119,168 | 63,117 |
| **Total** | **1,544,899** | **1,831,583** |

## 25. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no relevant events after the reporting period.

# PARENT COMPANY'S INCOME STATEMENT

| PARENT COMPANY'S INCOME STATEMENT | | | |
|---|---|---|---|
| EUR | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
| **TOTAL REVENUE** | 1 | **17,714,538.68** | **12,716,822.32** |
| Other operating income | 2 | 801,927.14 | 344,532.78 |
| | | | |
| Transfers of investment properties and changes in fair value | 3 | 53,681,328.96 | 29,472,600.81 |
| Personnel expenses | | | |
| Salaries, wages and remuneration | 4 | -1,971,299.81 | -2,442,344.96 |
| Indirect personnel expenses | | | |
| Pension expenses | 4 | -303,893.11 | -226,722.76 |
| Other personnel expenses | 4 | -50,125.31 | -54,955.99 |
| **Total** | | **-2,325,318,23** | **-2,724,023,71** |
| | | | |
| Depreciation and impairment losses | | | |
| Depreciation according to plan | 6 | -683,538.25 | -511,053.59 |
| **Total** | | **-683,538,25** | **-511,053,59** |
| | | | |
| Other operating expenses | 5 | -23,600,328.09 | -10,474,663.58 |
| | | | |
| **OPERATING PROFIT (LOSS)** | | **45,588,610.21** | **28,824,215.03** |
| | | | |
| Financial income and expenses | 7 | | |
| Other interest and financial income | | | |
| From Group companies | | 969,096.01 | 2,135,850.18 |
| From others | | 662.90 | 312.00 |
| Interest and other financial expenses | | | |
| From others | | -287,527.28 | -147,247.09 |
| **Total** | | **682,231.63** | **1,988,915.09** |
| | | | |
| **PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES** | | **46,270,841.84** | **30,813,130.12** |
| | | | |
| Appropriations | | | |
| Increase (-)/decrease (+) in depreciation difference | | -2,389.47 | -3,299.03 |
| **Total** | | **-2,389.47** | **-3,299.03** |
| | | | |
| Income taxes | | | |
| Taxes for the financial year | 8 | -20,925.13 | -272,459.29 |
| Deferred taxes | 8 | -9,235,202.21 | -5,894,520.16 |
| **Total** | | **-9,256,127.34** | **-6,166,979.45** |
| | | | |
| **PROFIT (LOSS) FOR THE FINANCIAL YEAR** | | **37,012,325.03** | **24,642,851.64** |

# PARENT COMPANY'S BALANCE SHEET FAS

| PARENT COMPANY'S BALANCE SHEET FAS | | | |
|---|---|---|---|
| EUR | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
| **ASSETS** | | | |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| **Intangible assets** | | | |
| Intangible rights | 9 | 4,899.96 | 9,150.00 |
| Other expenses with long-term effects | 9 | 733,874.46 | 1,243,097.84 |
| **Total** | | **738,774.42** | **1,252,247.84** |
| | | | |
| **Property, plant and equipment** | | | |
| Machinery and equipment | 9 | 36,215.93 | 32,971.10 |
| **Non-current assets total** | | **36,215.93** | **32,971.10** |
| | | | |
| **Investments** | | | |
| Receivables from Group companies | 11 | 0.00 | 239,413.34 |
| Investment properties | 10 | 170,653,635.32 | 73,020,274.47 |
| **Total** | | **170,653,635.32** | **73,259,687.81** |
| | | | |
| | | **171,428,625.67** | **74,544,906.75** |
| | | | |
| **CURRENT ASSETS** | | | |
| **Receivables** | | | |
| **Non-current** | | | |
| Receivables from Group companies | 11 | 31,847,068.30 | 59,224,730.64 |
| **Total** | | **31,847,068.30** | **59,224,730.64** |
| | | | |
| **Current** | | | |
| Trade receivables | | 694,854.20 | 301,558.78 |
| Receivables from Group companies | 11 | 10,182,716.99 | 10,832,564.52 |
| Other receivables | 12 | 1,740,635.00 | 99,946.10 |
| Accrued income | 12 | 645,957.34 | 239,682.27 |
| **Total** | | **13,264,163.53** | **11,473,751.67** |
| | | | |
| **Cash in hand and at banks** | | **5,770,807.93** | **3,015,392.26** |
| | | | |
| **Current assets, total** | | **50,882,039.76** | **73,713,874.57** |
| | | | |
| **ASSETS TOTAL** | | **222,310,665.43** | **148,258,781.32** |

## PARENT COMPANY'S BALANCE SHEET FAS

| EUR | Note | 1 Jan–31 Dec 2018 | 1 Jan–31 Dec 2017 |
|---|---|---|---|
| **LIABILITIES** | | | |
| | | | |
| **EQUITY** | | | |
| Share capital | 13 | 80,000.00 | 80,000.00 |
| Invested non-restricted equity reserve | 13 | 71,281,397.89 | 71,279,894.19 |
| Retained earnings/losses | 13 | 55,099,476.56 | 33,763,724.69 |
| Profit/loss for the financial year | 13 | 37,012,325.03 | 24,642,851.64 |
| **Equity total** | | **163,473,199.48** | **129,766,470.52** |
| | | | |
| **ACCUMULATED APPROPRIATIONS** | | | |
| Depreciation difference | | 11,235.12 | 8,845.65 |
| **Total** | | **11,235.12** | **8,845.65** |
| | | | |
| **DEBT CAPITAL** | | | |
| **Non-current** | | | |
| Loans from financial institutions | 18 | 20,205,574.00 | 244,778.00 |
| **Total** | | **20,205,574.00** | **244,778.00** |
| | | | |
| **Current** | | | |
| Loans from financial institutions | | 959,843.36 | 3,267.00 |
| Advances received | | 0.00 | 105,317.60 |
| Trade payables | | 219,571.83 | 98,835.45 |
| Liabilities to Group companies | 15 | 11,546,714.20 | 1,928,985.06 |
| Deferred tax liabilities | 16 | 23,417,284.31 | 14,182,082.10 |
| Other liabilities | | 108,364.87 | 127,664.70 |
| Accrued expenses | 17 | 2,368,878.26 | 1,792,535.24 |
| **Total** | | **38,620,656.83** | **18,238,687.15** |
| | | | |
| **Debt capital total** | | **58,826,230.83** | **18,483,465.15** |
| | | | |
| **LIABILITIES TOTAL** | | **222,310,665.43** | **148,258,781.32** |

# PARENT COMPANY'S CASH FLOW STATEMENT FAS

| PARENT COMPANY'S CASH FLOW STATEMENT FAS | | | |
|---|---|---|---|
| EUR | Note | 1 Jan–31 Dec 2017 | 1 Jan–31 Dec 2016 |
| **Cash flow from operations** | | | |
| Profit before taxes | | 46,268,452.37 | 30,809,831.09 |
| Adjustments | | | |
| Depreciation according to plan | | 683,538.25 | 511,053.59 |
| Financial income and expenses | | -682,231.63 | -1,988,915.09 |
| Other adjustments | 19 | -53,678,939.49 | -29,469,301.78 |
| Cash flow before change in working capital | | -7,409,180.50 | -137,332.19 |
| | | | |
| Change in working capital | | | |
| Current non-interest bearing operating receivables increase (-) / decrease (+) | | -821,315.85 | -10,403,203.98 |
| Increase (+) / decrease (-) in current non-interest-bearing liabilities | | 11,598,282.99 | 8,686,672.60 |
| **Cash flow from operations before financial items and taxes** | | **3,367,786.64** | **-1,853,863.57** |
| Paid interest and payments from other financial expenses of operations | | -287,527.28 | -147,247.09 |
| Interest received from operations | | 662.90 | 312.00 |
| Direct taxes paid | | -1,429,017.01 | -291,946.66 |
| **Cash flow from operations (A)** | | **1,651,905.25** | **-2,292,745.32** |
| | | | |
| **Cash flow from investment activities** | | | |
| Investments in tangible and intangible assets | | -173,309.66 | -1,132,396.04 |
| Divestment of investment properties | | 10,914,934.86 | |
| Loans granted | | -54,627,553.41 | -1,613,600.38 |
| Capital gain from other investments | 10 | 27,377,662.34 | -20,182,000.00 |
| **Cash flow from investment activities (B)** | | **-16,508,265.87** | **-22,927,996.42** |
| | | | |
| **Cash flow from financing activities** | | | |
| Equity increase through share issue | 13 | 1,503.70 | 31,500,000.00 |
| Withdrawals of short-term loans | | 956,576.36 | |
| Withdrawals of long-term loans | 18 | 19,960,796.00 | 248,045.00 |
| Repayments of long-term loans | | 0.00 | -1,663,285.48 |
| Dividends paid | 13 | -3,307,099.77 | -2,078,885.90 |
| **Cash flow from financing activities (C)** | | **17,611,776.29** | **28,005,873.62** |
| | | | |
| **Change in cash and cash equivalents (A + B + C), increase (+) / decrease (-)** | | **2,755,415.67** | **2,785,131.88** |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 3,015,392.26 | 230,260.38 |
| Cash and cash equivalents at the end of the financial year | | 5,770,807.93 | 3,015,392.26 |

# PARENT COMPANY'S NOTES TO THE FINANCIAL STATEMENTS

### Valuation and amortisation principles
The company's non-current assets have been measured at acquisition cost less depreciation according to plan.

The depreciation periods are:

| | |
|---|---|
| Intangible right | 5 years, straight-line depreciation |
| Other expenses with long-term effects | 3 years, straight-line depreciation |
| Machinery and equipment | 10 years, straight-line depreciation |

### Valuation of investment properties
Following the change of accounting methods, the measurement principles of investments properties are the same in the financial statements of the parent company and in the consolidated financial statements. The investment properties are measured at fair values based on IAS 40. The methods used in valuation of the investment properties are presented in more details in note 10 of the group notes and later in note 10 of the parent company's notes.

### Deferred taxes
The change in deferred taxes for the financial year is recorded in profit or loss. The tax rate effective on the financial reporting date has been used in calculation of the deferred taxes.

### Valuation of financial instruments
Financial assets are measured at acquisition cost or the probable transfer price, whichever is lower. The company hedges against changes in the interest rate level in accordance with the hedging policy defined by the company's Board of Directors. According to the interest rate hedging policy, 30–50% of the Group's loan portfolio is hedged by interest rate swaps so that the average interest rate tying period is two (2) years +/- six (6) months. On 31 December 2018, the parent company had eight (8) interest rate swaps, with the total equity of EUR 61,000,000. The fair value of the interest rate swaps was EUR -1,188,674 on 31 December 2018. The interest rate swaps have not been recognised in the balance sheet, since the Group applies hedge accounting to interest rate swaps and the hedging is effective.

### Amortisation of income
For the most part, the company's revenue consists of rental income from investment properties. Rental income and other items included in revenue are recognised on an accrual basis.

| 1. TOTAL REVENUE | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Rental income from properties | 17,182,304.56 | 12,361,849.87 |
| Sales to Group companies | 532,234.12 | 344,030.12 |
| Other sales | 0.00 | 10,942.33 |
| **Total** | **17,714,538.68** | **12,716,822.32** |

Rental income from investment properties consisted of the rental income of day care centres and nursing homes located in Finland. The rest of revenue consisted of other sales to Finland.

| 2. OTHER OPERATING INCOME | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Grants received | 152,400.00 | 0.00 |
| Other operating income | 649,527.14 | 344,532.78 |
| **Total** | **801,927.14** | **344,532.78** |

| 3. CHANGES IN FAIR VALUE OF THE INVESTMENT PROPERTIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Changes in fair value of the investment properties | 51,797,694.06 | 29,472,600.81 |
| Divestments of investment properties | 1,883,634.90 | 0.00 |
| **Total** | **53,681,328.96** | **29,472,600.81** |

The investment properties are measured at fair value based on section 5.2b of the Accounting Act. The methods used in valuation of the investment properties are presented in more details in note 10 of the parent company's notes.

| 4. INFORMATION CONCERNING PERSONNEL AND RELATED PARTIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Average number of personnel | 17 | 13 |
| Salaries and other remuneration of the CEO | -332,524.00 | -281,896.89 |
| Salaries and other remuneration of the management board | -577,229.00 | -523,049.00 |
| Salaries and other remuneration of the Board of Directors | -198,665.00 | -146,800.00 |
| Amortisation of the cash contribuiton of the incentive programme | -88,734.30 | -1,097,685.00 |
| Other salaries and remuneration | -774,147.51 | -392,914.07 |
| Pension insurance payments | -303,893.11 | -226,722.76 |
| Other personnel expenses | -50,125.31 | -54,955.99 |
| **Total** | **-2,325,318.23** | **-2,724,023.71** |

| 5. OTHER OPERATING EXPENSES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Maintenance charges and financing contributions paid to Group companies | -21,592,324.16 | -9,123,290.29 |
| Other operating expenses | -2,008,003.93 | -1,351,373.29 |
| **Total** | **-23,600,328.09** | **-10,474,663.58** |
| | | |
| **Auditor's fees** | 2018 | 2017 |
| Audit | -37,898 | -26,955 |
| Certificates and statements | -2,050 | 0 |
| Other services | -6,565 | -35,024 |
| **Total** | **-46,513** | **-61,979** |

| 6. DEPRECIATION AND IMPAIRMENT LOSSES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Depreciation according to plan | -683,538.25 | -511,053.59 |
| **Total** | **-683,538.25** | **-511,053.59** |

| 7. FINANCIAL INCOME AND EXPENSES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Dividend and interest income from Group companies | 969,096.01 | 2,135,850.18 |
| Other interest income | 662.90 | 312.00 |
| Other interest expenses | -287,527.28 | -147,247.09 |
| **Total** | **682,231.63** | **1,988,915.09** |

| 8. INCOME TAXES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Income tax for ordinary operations | -20,925.13 | -272,459.29 |
| Deferred taxes related to changes in fair values of the investment properties | -9,235,202.21 | -5,894,520.16 |
| **Total** | **-9,256,127.34** | **-6,166,979.45** |

| 9. INTANGIBLE ASSETS AND MACHINERY AND EQUIPMENT | | | | |
|---|---|---|---|---|
| EUR | Intangible rights | Other expenses with long-term effects | Machinery and equipment | Total |
| Acquisition cost 1 Jan 2017 | 21,250.00 | 839,420.91 | 29,175.36 | 889,846.27 |
| Increases | 0.00 | 1,116,762.48 | 15,633.56 | 1,132,396.04 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 |
| Acquisition cost 31 Dec 2017 | 21,250.00 | 1,956,183.39 | 44,808.92 | 2,022,242.31 |
| Accumulated depreciation, amortisation and impairments 1 Jan 2017 | -7,850.03 | -210,667.76 | -7,451.99 | -225,969.78 |
| Depreciation and amortisation during the financial year | -4,249.97 | -502,417.79 | -4,385.83 | -511,053.59 |
| Accumulated depreciation and amortisation 31 December 2017 | -12,100.00 | -713,085.55 | -11,837.82 | -737,023.37 |
| **Book value 31 Dec 2017** | **9,150.00** | **1,243,097.84** | **32,971.10** | **1,285,218.94** |
| | | | | |
| Acquisition cost 1 Jan 2018 | 21,250.00 | 1,956,183.39 | 44,808.92 | 2,022,242.31 |
| Increases | 0.00 | 164,831.19 | 8,478.47 | 173,309.66 |
| Decreases | 0.00 | 0.00 | 0.00 | 0.00 |
| Acquisition cost 31 Dec 2018 | 21,250.00 | 2,121,014.58 | 53,287.39 | 2,195,551.97 |
| Accumulated depreciation, amortisation and impairments 1 Jan 2018 | -12,100.00 | -713,085.55 | -11,837.82 | -737,023.37 |
| Depreciation and amortisation during the financial year | -4,250.04 | -674,054.57 | -5,233.64 | -683,538.25 |
| Accumulated depreciation and amortisation 31 Dec 2018 | -16,350.04 | -1,387,140.12 | -17,071.46 | -1,420,561.62 |
| **Book value 31 Dec 2018** | **4,899.96** | **733,874.46** | **36,215.93** | **774,990.35** |

## 10. HOLDINGS IN OTHER COMPANIES

At the end of the 2018 financial year Suomen Hoivatilat Oyj wholly owned 131 limited liability housing companies. In addition, the company owned shares in one other limited liability housing company. Investment properties whose ownership is arranged in company form are measured at fair value in the financial statements and presented on the balance sheet's row "Investment properties". The changes in the fair values are presented on the income statement's row "Transfers of investment properties and changes in fair value".

| EUR | 2018 | 2017 |
|---|---|---|
| **Fair value of the investment properties 1 Jan** | **73,020,274.47** | **41,934,073.28** |
| Investments in stocks of limited liability housing companies | 60,472,031.89 | 1,613,600.38 |
| Decreases from investment properties sold | -14,636,365.10 | 0.00 |
| Profits and losses from changes in the fair values | 51,797,694.06 | 29,472,600.81 |
| **Fair value of the investment properties 31 Dec** | **170,653,635.32** | **73,020,274.47** |

| Company | Parent holding 2018 | Parent holding 2017 |
|---|---|---|
| Hoivatilat AB | 100% | 0% |
| Kiinteistö Oy Espoon Hirvisuontie | 100% | 100% |
| Kiinteistö Oy Espoon Opettajantie | 100% | 100% |
| Kiinteistö Oy Espoon Vuoripirtintie | 100% | 100% |
| Kiinteistö Oy Heinolan Lähteentie | 100% | 100% |
| Kiinteistö Oy Hollolan Sarkatie | 100% | 100% |
| Kiinteistö Oy Kokkolan Vanha Ouluntie | 100% | 100% |
| Kiinteistö Oy Kotkan Loitsutie | 100% | 100% |
| Kiinteistö Oy Kouvolan Pappilantie | 100% | 100% |
| Kiinteistö Oy Kuopion Rantaraitti | 100% | 100% |
| Kiinteistö Oy Lohjan Ansatie | 100% | 100% |
| Kiinteistö Oy Mäntyharjun Lääkärinkuja | 100% | 100% |
| Kiinteistö Oy Mäntyharjun Taavetintie | 100% | 100% |
| Kiinteistö Oy Nokian Näsiäkatu | 100% | 100% |
| Kiinteistö Oy Orimattilan Suppulanpolku | 100% | 100% |
| Kiinteistö Oy Oulun Ukkoherrantie B | 100% | 100% |
| Kiinteistö Oy Porin Palokärjentie | 100% | 100% |
| Kiinteistö Oy Porvoon Fredrika Runeberginkatu | 100% | 100% |
| Kiinteistö Oy Porvoon Vanha Kuninkaantie | 100% | 100% |
| Kiinteistö Oy Rovaniemen Ritarinne | 100% | 100% |
| Kiinteistö Oy Ruskon Päällistönmäentie | 100% | 100% |
| Kiinteistö Oy Sipoon Satotalmantie | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku A | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku B | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merimetsopolku C | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Puusepänkatu | 100% | 100% |
| Kiinteistö Oy Vantaan Mesikukantie | 100% | 100% |
| Kiinteistö Oy Varkauden Kaura-ahontie | 100% | 100% |

| Company | Parent holding 2018 | Parent holding 2017 |
|---|---|---|
| Kiinteistö Oy Vihdin Koivissillankuja | 100% | 100% |
| Kiinteistö Oy Jyväskylän Haperontie | 100% | 100% |
| Kiinteistö Oy Kajaanin Erätie | 100% | 100% |
| Kiinteistö Oy Keravan Männiköntie | 100% | 100% |
| Kiinteistö Oy Espoon Fallåkerinrinne | 100% | 100% |
| Kiinteistö Oy Espoon Meriviitantie | 100% | 100% |
| Kiinteistö Oy Espoon Tikasmäentie | 100% | 100% |
| Kiinteistö Oy Hämeenlinnan Vanha Alikartanontie | 100% | 100% |
| Kiinteistö Oy Jyväskylän Väliharjuntie | 100% | 100% |
| Kiinteistö Oy Kajaanin Menninkäisentie | 100% | 100% |
| Kiinteistö Oy Kangasalan Mäntyveräjäntie | 100% | 100% |
| Kiinteistö Oy Kirkkonummen Kotitontunkuja | 100% | 100% |
| Kiinteistö Oy Kouvolan Kaartokuja | 100% | 100% |
| Kiinteistö Oy Kouvolan Vinttikaivontie | 100% | 100% |
| Kiinteistö Oy Kuopion Sipulikatu | 100% | 100% |
| Kiinteistö Oy Lahden Vallesmanninkatu A | 100% | 100% |
| Kiinteistö Oy Lahden Vallesmanninkatu B | 100% | 100% |
| Kiinteistö Oy Laukaan Hytösenkuja | 100% | 100% |
| Kiinteistö Oy Limingan Kauppakaari | 100% | 100% |
| Kiinteistö Oy Loviisan Mannerheiminkatu | 100% | 100% |
| Kiinteistö Oy Maskun Ruskontie | 100% | 100% |
| Kiinteistö Oy Mäntsälän Liedontie | 100% | 100% |
| Kiinteistö Oy Nokian Vikkulankatu | 100% | 100% |
| Kiinteistö Oy Nurmijärven Laidunalue | 100% | 100% |
| Kiinteistö Oy Oulun Kehätie | 100% | 100% |
| Kiinteistö Oy Oulun Paulareitti | 100% | 100% |
| Kiinteistö Oy Oulun Rakkakiventie | 100% | 100% |
| Kiinteistö Oy Pirkkalan Lehtimäentie | 100% | 100% |
| Kiinteistö Oy Porin Ojantie | 100% | 100% |
| Kiinteistö Oy Porvoon Peippolankuja | 100% | 100% |
| Kiinteistö Oy Raision Tenavakatu | 100% | 100% |
| Kiinteistö Oy Siilinjärven Sinisiipi | 100% | 100% |
| Kiinteistö Oy Tampereen Lentävänniemenkatu | 100% | 100% |
| Kiinteistö Oy Turun Teollisuuskatu | 100% | 100% |
| Kiinteistö Oy Turun Vakiniituntie | 100% | 100% |
| Kiinteistö Oy Turun Vähäheikkiläntie | 100% | 100% |
| Kiinteistö Oy Vantaan Koetilankatu | 100% | 100% |
| Kiinteistö Oy Vantaan Punakiventie | 100% | 100% |
| Kiinteistö Oy Vantaan Tuovintie | 100% | 100% |
| Kiinteistö Oy Vantaan Vuohirinne | 100% | 100% |

| Company | Parent holding 2018 | Parent holding 2017 |
|---|---|---|
| Kiinteistö Oy Vihdin Vanhan-Sepän tie | 100% | 100% |
| Kiinteistö Oy Ylöjärven Mustarastaantie | 100% | 100% |
| Kiinteistö Oy Ylöjärven Työväentalontie | 100% | 100% |
| Kiinteistö Oy Euran Käräjämäentie | 100% | 100% |
| Kiinteistö Oy Hämeenlinnan Jukolanraitti | 100% | 100% |
| Kiinteistö Oy Iisalmen Eteläinen puistoraitti | 100% | 100% |
| Kiinteistö Oy Iisalmen Kangaslammintie | 100% | 100% |
| Kiinteistö Oy Jyväskylän Mannisenmäentie | 100% | 100% |
| Kiinteistö Oy Kaarinan Nurminiitynkatu | 100% | 100% |
| Kiinteistö Oy Kajaanin Valonkatu | 100% | 100% |
| Kiinteistö Oy Kalajoen Hannilantie | 100% | 100% |
| Kiinteistö Oy Keuruun Tehtaantie | 100% | 100% |
| Kiinteistö Oy Kuopion Amerikanraitti 10 | 100% | 100% |
| Kiinteistö Oy Lahden Jahtikatu | 100% | 100% |
| Kiinteistö Oy Lahden Piisamikatu | 100% | 100% |
| Kiinteistö Oy Lappeenrannan Orioninkatu | 100% | 100% |
| Kiinteistö Oy Mikkelin Väänäsenpolku | 100% | 100% |
| Kiinteistö Oy Mikkelin Ylännetie 10 | 100% | 100% |
| Kiinteistö Oy Mikkelin Ylännetie 8 | 100% | 100% |
| Kiinteistö Oy Nurmijärven Ratakuja | 100% | 100% |
| Kiinteistö Oy Paimion Mäkiläntie | 100% | 100% |
| Kiinteistö Oy Pihtiputaan Nurmelanpolku | 100% | 100% |
| Kiinteistö Oy Pirkkalan Pereensaarentie | 100% | 100% |
| Kiinteistö Oy Porin Koekatu | 100% | 100% |
| Kiinteistö Oy Raahen Palokunnanhovi | 100% | 100% |
| Kiinteistö Oy Rovaniemen Matkavaarantie | 100% | 100% |
| Kiinteistö Oy Sastamalan Tyrväänkyläntie | 100% | 100% |
| Kiinteistö Oy Siilinjärven Risulantie | 100% | 100% |
| Kiinteistö Oy Sipoon Aarrepuistonkuja | 100% | 100% |
| Kiinteistö Oy Sipoon Aarretie | 100% | 100% |
| Kiinteistö Oy Tornion Torpin Rinnakkaiskatu | 100% | 100% |
| Kiinteistö Oy Turun Lukkosepänkatu | 100% | 100% |
| Kiinteistö Oy Uudenkaupungin Merilinnuntie | 100% | 100% |
| Kiinteistö Oy Varkauden Savontie | 100% | 100% |
| Kiinteistö Oy Vihdin Pengerkuja | 100% | 100% |
| Kiinteistö Oy Iisalmen Petter Kumpulaisentie | 100% | 0% |
| Kiinteistö Oy Iisalmen Vemmelkuja | 100% | 0% |
| Kiinteistö Oy Janakkalan Kekanahontie | 100% | 0% |
| Kiinteistö Oy Joutsenon päiväkoti | 100% | 0% |
| Kiinteistö Oy Jyväskylän Ailakinkatu | 100% | 0% |

| Company | Parent holding 2018 | Parent holding 2017 |
|---|---|---|
| Kiinteistö Oy Jyväskylän Palstatie | 100% | 0% |
| Kiinteistö Oy Jyväskylän Vävypojanpolku | 100% | 0% |
| Kiinteistö Oy Kajaanin Hoikankatu | 100% | 0% |
| Kiinteistö Oy Kokkolan Ankkurikuja | 100% | 0% |
| Kiinteistö Oy Kouvolan Ruskeasuonkatu | 100% | 0% |
| Kiinteistö Oy Kuopion Portti A2 | 100% | 0% |
| Kiinteistö Oy Laihian Jarrumiehentie | 100% | 0% |
| Kiinteistö Oy Laukaan Saratie | 100% | 0% |
| Kiinteistö Oy Mynämäen Opintie | 100% | 0% |
| Kiinteistö Oy Oulun Sarvisuontie | 100% | 0% |
| Kiinteistö Oy Oulun Soittajanlenkki | 100% | 0% |
| Kiinteistö Oy Pieksämäen Ruustinnantie | 100% | 0% |
| Kiinteistö Oy Porvoon Haarapääskyntie | 100% | 0% |
| Kiinteistö Oy Raahen Vihastenkarinkatu | 100% | 0% |
| Kiinteistö Oy Siilinjärven Honkarannantie | 100% | 0% |
| Kiinteistö Oy Siilinjärven Nilsiäntie | 100% | 0% |
| Kiinteistö Oy Sotkamon Kirkkotie | 100% | 0% |
| Kiinteistö Oy Turun Paltankatu | 100% | 0% |
| Kiinteistö Oy Vaasan Vanhan Vaasankatu | 100% | 0% |
| Kiinteistö Oy Vantaan Koivukylän Puistotie | 100% | 0% |
| Kiinteistö Oy Vihdin Hiidenrannantie | 100% | 0% |
| Kiinteistö Oy Ylivieskan Mikontie 1 | 100% | 0% |
| Kiinteistö Oy Ylivieskan Ratakatu 12 | 100% | 0% |
| Kiinteistö Oy Äänekosken Likolahdenkatu | 100% | 0% |
| Kiinteistö Oy Oulun Ukkoherrantie | 0% | 100% |
| Kiinteistö Oy Ulvilan Peltotie | 0% | 100% |
| Kiinteistö Oy Kouvolan Toukomiehentie B | 0% | 100% |
| Kiinteistö Oy Nurmijärven Vehnäpellontie | 0% | 100% |
| Kiinteistö Oy Paimion Kämmekkä | 0% | 100% |
| Kiinteistö Oy Turun Kukolantie | 0% | 100% |
| Kiinteistö Oy Uudenkaupungin Salmenkatu | 0% | 100% |

The address of the Parent company and all Group companies is Lentokatu 2, 90460 Oulunsalo. The address of Hoivatilat Ab is Svärdvägen 21, 18233 Danderyd, Sweden.

| 11. RECEIVABLES FROM GROUP COMPANIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Non-current Group loan receivables | 31,847,068.30 | 59,224,730.64 |
| Prepayments and accrued income | 4,123,474.14 | 4,296,137.49 |
| Other Group receivables | 6,059,242.85 | 6,536,427.03 |
| **Total** | **42,029,785.29** | **70,057,295.16** |

| 12. ESSENTIAL ITEMS RELATED TO PREPAYMENTS AND ACCRUED INCOME AND OTHER PREPAID EXPENSES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Deferred tax assets | 1,720,201.56 | 83,346.10 |
| Other accrued income | 666,390.78 | 256,282.27 |
| **Total** | **2,386,592.34** | **339,628.37** |

| 13. EQUITY | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Share capital 1 Jan | 80,000.00 | 80,000.00 |
| Change in the financial year | 0.00 | 0.00 |
| Share capital 31 Dec | 80,000.00 | 80,000.00 |
| | | |
| Invested non-restricted equity reserve 1 Jan | 71,279,894.19 | 39,779,894.19 |
| Amount entered in share capital | 0.00 | 0.00 |
| Share issue | 1,503.70 | 31,500,000.00 |
| Invested non-restricted equity reserve 31 Dec | 71,281,397.89 | 71,279,894.19 |
| | | |
| Profit from previous periods 1 Jan | 58,406,576.33 | 35,842,610.59 |
| Distribution of dividends | -3,307,099.77 | -2,078,885.90 |
| Profit from previous periods 31 Dec | 55,099,476.56 | 33,763,724.69 |
| Profit for the financial year | 37,012,325.03 | 24,642,851.64 |
| | | |
| **Total shareholders' equity 31 Dec** | **163,473,199.48** | **129,766,470.52** |

| 14. DISTRIBUTABLE FUNDS | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Invested non-restricted equity reserve | 71,281,397.89 | 71,279,894.19 |
| Profit from previous financial years | 55,099,476.56 | 33,763,724.69 |
| Profit/loss for the financial year | 37,012,325.03 | 24,642,851.64 |
| **Total** | **163,393,199.48** | **129,686,470.52** |

| 15. LIABILITIES TO GROUP COMPANIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Short-term Group liabilities | 11,546,714.20 | 1,928,985.06 |
| **Total** | **11,546,714.20** | **1,928,985.06** |

| 16. DEFERRED TAX LIABILITIES | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Deferred tax liabilities from measuring the investment properties at fair value | 23,417,284.31 | 14,182,082.10 |
| **Total** | **23,417,284.31** | **14,182,082.10** |

| 17. ESSENTIAL ITEMS IN ACCRUALS AND DEFERRED INCOME | | |
|---|---|---|
| EUR | 2018 | 2017 |
| Personnel expense amortisations | 292,038.46 | 154,967.66 |
| Income taxes | 28,517.91 | 28,517.91 |
| Amortisation of the cash contribuiton of the incentive programme | 0.00 | 1,097,685.00 |
| Required investments in completed investment porperties | 955,174.16 | 467,206.49 |
| Other amortised costs related to investments | 931,415.82 | 0.00 |
| Other | 161,731.91 | 44,158.18 |
| **Total** | **2,368,878.26** | **1,792,535.24** |

## 18. COLLATERAL AND CONTINGENT LIABILITIES

| EUR | Loan capital | Pledges given | Collateral total |
|---|---|---|---|
| Loans from financial institutions* | 21,165,417.36 | 140,283,556.91 | 140,283,556.91 |
| **Total** | **21,165,417.36** | **140,283,556.91** | **161,448,974.27** |

* The parent company had a total limits of EUR 7,000,000 available, of which EUR 1,165,417.36 were in use on the balance sheet date. In addition the parent company had a EUR 10,000,000 loan from European investment bank available for immediate withdrawal.

| Collateral given by the parent company on behalf of subsidiaries | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Financial guarantees given by the parent company on behalf of subsidiaries | 149,523,251.27 | 109,888,645.04 |
| Share pledges given by the parent company on behalf of subsidiaries | 104,494,429.06 | 32,023,402.31 |
| Other pledges given by the parent company on behalf of subsidiaries / pledging of Group receivables | 13,941,000.00 | 18,269,060.22 |
| **Total** | **267,958,680.33** | **160,181,107.57** |

| Off-balance sheet leasing liabilities | | |
|---|---|---|
| EUR | **2018** | **2017** |
| Payable in one year | 55,615.98 | 44,494.44 |
| In one to five years | 45,778.79 | 25,412.54 |
| In more than five years | 0.00 | 0.00 |
| **Leasing liabilities, total** | **101,394.78** | **69,906.97** |

## 19. OTHER ADJUSTMENTS TO CASH FLOW FROM OPERATIONS

| EUR | 2018 | 2017 |
|---|---|---|
| Changes in fair value of the investment properties | 53,681,328.96 | 29,472,600.81 |
| Increase (-)/decrease (+) in depreciation difference | -2,389.47 | -3,299.03 |
| **Other adjustments, total** | **53,678,939.49** | **29,469,301.78** |

# SIGNATURES TO THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

Oulu, 20 February 2019

**Pertti Huuskonen**
chairman of the Board of Directors

**Harri Aho**
member of the Board of Directors

**Satu Ahlman**
member of the Board of Directors

**Kari Nenonen**
member of the Board of Directors

**Timo Pekkarinen**
member of the Board of Directors

**Reijo Tauriainen**
member of the Board of Directors

**Jussi Karjula**
CEO

## AUDITOR'S NOTE

Our auditor's report was issued today.

Oulu, 20 February 2019

**KPMG Oy Ab**
Authorised Public Accountants
Antti Kääriäinen, APA

# AUDITOR'S REPORT

To the Annual General Meeting of Suomen Hoivatilat Oyj

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Suomen Hoivatilat Oyj (business identity code 2241238-0) for the year ended 31 December 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, calculation of changes in the Group's equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Valuation of Investment Properties in consolidated and in parent company's financial statements

(Refer to Accounting policies for consolidated financial statements, section "Investment Properties" and notes 3 and 10 as well as accounting principles for the parent company's financial statements and note 10)

**Key audit matters**

- The investment properties measured at fair value (EUR 348.9 million) represent over 96% of the consolidated total assets in the 2018 financial statements.
- The fair value of investment properties owned through property companies in the parent company's balance sheet was EUR 170.7 million.
- Valuation of investment properties is considered a key audit matter for the Group and the parent company due to management's estimates used in forecasts underlying the valuations, and significance of the carrying amounts involved.
- The fair values of investment properties are determined by an external property appraiser. The valuation is based on estimated property-specific discounted net cash flows..

**Audit approach to the matters**

- We assessed the assumptions used requiring management judgement as well as the grounds for substantial changes in fair values. We also tested the accuracy of basis data used in the calculations.
- We tested the technical appropriateness of the calculation, and compared the assumptions used to market and industry data, on a sample basis. We involved KPMG valuation specialist in the engagement.
- We discussed with an external property appraiser (Authorised Property Appraiser, AKA) used by Suomen Hoivatilat, to evaluate the appropriateness of the valuation method applied by the Group and the parent company.
- We assessed the appropriateness of the disclosures provided on the investment properties.

## Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 25 March 2013 and our appointment represents a total period of uninterrupted engagement of 6 years. Suomen Hoivatilat Oyj became a public interest entity on 1 March 2017.

### Other Information

The Board of Directors and the CEO are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Oulu, 20 February 2019
KPMG OY AB

Antti Kääriäinen
Authorised Public Accountant, KHT

HOIVATILAT

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# BUSINESS REVIEW OF HOIVATILAT PLC

HOIVATILAT

# Business Review

**JANUARY–SEPTEMBER** // 2019

# Strong EPRA Earnings and a lease portfolio of more than EUR 500 million, guidance refined

## Business review 1 January – 30 September 2019 (unaudited)

Hoivatilat Plc Stock Exchange Release, 6 November 2019 at 8 a.m.

### Summary January–September 2019

| EUR thousand | 30 Sep 2019 | 30 Sep 2018 | Change, % | 31 Dec 2018 |
|---|---|---|---|---|
| Total revenue | 16,894 | 12,528 | 34.8% | 17,182 |
| Result for the period | 19,026 | 21,002 | -9.4% | 37,003 |
| EPRA Earnings | 7,797 | 5,186 | 50.3% | 7,663 |
| Earnings per share, undiluted (EUR) | 0.75 | 0.83 | -9.6% | 1.46 |
| Earnings per share, diluted (EUR) | 0.74 | 0.82 | -9.8% | 1.45 |
| EPRA Earnings per share (EPRA EPS, EUR) | 0.31 | 0.20 | 55.0% | 0.30 |
| Value of investment properties | 457,367 | 310,450 | 47.3% | 348,899 |
| EPRA NAV per share (EUR) | 8.05 | 6.43 | 25.3% | 7.28 |
| Value of the lease portfolio (without index increases) | 500,916 | 399,812 | 25.3% | 426,953 |
| Economic occupancy rate, % | 100 | 100 | - | 100 |
| Average maturity of the lease portfolio (years) | 14.8 | 15.0 | - | 14.9 |

The impacts of IFRS 16, adopted on 1 January, on the key figures for the review period are shown below in the Financial development section.

### Significant events

- EPRA Earnings increased by 50 per cent, and the value of the lease portfolio exceeded 500 EUR million.
- 20 properties were completed.
- Two school projects were secured through competitive bidding after the review period.
- After the review period, a public tender offer was made for the shares of Hoivatilat.

### Financial guidance for 2019

Hoivatilat expects its total revenue to be around EUR 23 million in 2019. EPRA Earnings are expected to be at least 40 per cent of revenue. The fair value of the investment properties is expected to be EUR 470–490 million at the end of 2019 (previously EUR 460–490 million). The guidance is based on the assumption that, in 2019, the company will not make significant purchases or sales of completed investment properties, and that the market yields used in the valuation of real estate will remain at their current level.

### Jussi Karjula, CEO:

The company continues its strong growth track. At the end of the third quarter of 2019, the lease portfolio exceeded EUR 500 million. The lease portfolio refers to future cash flow from rental properties, or future revenue. This strong outlook is supported by the 100 per cent economic occupancy rate of our properties and the long 14.8-year average maturity of the lease portfolio. The value of investment properties also reached a record level: nearly EUR 460 million. Due to this, we refine our guidance and raise the lower end of the fair value of investment properties.

Typically, day-care centres and schools are completed during the third quarter, with units starting their operations in August. A record 20 properties were completed between July and September, that will generate a significant increase in revenue before the end of the year. Despite its growth investments and strong growth, the company's cost structure has developed moderately, which is reflected in its strong EPRA Earnings.

Over the years, we have strongly developed the company's operations towards becoming a service company. 'Facilities as a Service' thinking and responsible ownership are diversifying our company compared to the other operators in the market. Municipalities and other public-sector operators are increasingly applying the lease model to competitive bidding for facility projects, which increases the importance of responsible ownership. This year, Hoivatilat has already won six competitive bidding processes for public-sector projects and has signed 12 new customers.  These include two school projects, in Järvenpää and Oulu, for which the competitive bidding process was completed after the end of the review period. The total value of these two lease agreements is around EUR 22 million. The duration of both lease agreements is 25 years.

Our business operations in Sweden have also progressed as planned. This year, Hoivatilat AB has signed agreements on the implementation of six projects. Three of these projects are already underway, and the first properties will be completed in the spring of 2020.

Hoivatilat provides high-quality facilities for care and education. Its property portfolio consists of new facilities that meet current regulations and requirements. Its properties provide a functional setting for good care and education in the private, public and third sectors. The proportion of the ageing population is growing rapidly, and the population is concentrating in growth regions, where service facilities will continue to be in high demand.

After the review period, Hoivatilat Plc ("Hoivatilat") and Aedifica SA/NV ("Aedifica"), have on 4 November 2019 announced that Aedifica, through a wholly-owned subsidiary, Aureit Holding Oy ("Offeror"), will make a voluntary recommended public cash tender offer to purchase all the issued and outstanding shares in Hoivatilat which are not owned by Hoivatilat or any of its subsidiaries ("Tender Offer"). The Tender Offer will be made in accordance with the terms and conditions of a tender offer document which will be published by the Offeror on or about 11 November 2019 ("Tender Offer Document").

Aedifica, incorporated in 2005, is a regulated real estate company under Belgian law (Belgian REIT) specialised in European healthcare real estate. Aedifica has developed a portfolio of more than 260 sites in Belgium, Germany, the Netherlands and the United Kingdom with a total value of approximately EUR 2.3 billion.

The Board of Directors of Hoivatilat has on 6 November 2019 issued a statement regarding the Tender Offer, according to which the Board of Directors unanimously recommends that the shareholders of Hoivatilat accept the Tender Offer. The Board of Directors believes that the strategic plans of the Offeror pursuant to the draft Tender Offer Document would not have any immediate material effect on Hoivatilat's operations, assets or location of offices, or the position of its management or employees, or relations with its customers and partners.

**Market and economic developments**

The municipal portfolio of education, culture, social services and healthcare properties include a large number of old buildings nearing the end of their life cycle, as well as properties with indoor air problems and a maintenance backlog that require renovation. On 17 October 2019, the Finnish Prime Minister's Office published *Indoor Air and Health*, a report examining the current state of indoor air quality and the number of indoor air issues in the private and public sectors. Based on the responses provided by municipalities, significant indoor air problems affect 11–18 per cent of the total square footage of various types of buildings. The most significant problems are related to comprehensive school and upper secondary school facilities, 60–70 per cent of which were built before 1980.

Urbanisation is increasing and the population is ageing in both Europe as a whole and Finland. The number of people aged over 75 will nearly double over the next two decades. At the end of 2017, the number of people aged over 75 in Finland was 502,000, and this is predicted to increase to 925,000 by the end of 2040 (stat.fi). The trend is very similar in Sweden: the number of people aged over 75 will increase by 50 per cent by 2030.

Hoivatilat estimates that the following trends will increase its opportunities for growth and operations:

- Ageing population and the weakening dependency ratio.
- Urbanisation and centralisation of the population.
- Increased debt in the public sector.
- Condition of properties in education and the social and health sectors.
- Change in the municipal purchasing practices (rental and leasing model).
- Increasing use of service vouchers in early education and care services.

Interest rates are expected to remain low in the near future. According to *The Euro and the Economy*, a report published by the Bank of Finland on 3 October 2019, economic development has remained slow in the eurozone, and problems in industry in particular have proved longer-term than previously expected. Inflation is lagging behind its target rate of slightly below 2 per cent, and inflation expectations have continued to decrease since the summer. In September, the European Central Bank downgraded its outlook for both GDP growth and inflation in the eurozone.

At its meeting in September, the ECB Council decided on an extensive monetary policy stimulus package. The ECB cut its deposit rate by 10 basis points to -0.50 per cent. The ECB Council adjusted its interest rate projections and now expects interest rates to remain at their current level or lower until the Council sees the inflation outlook returning strongly towards the European Central Bank's target of nearly 2 per cent.  The Council previously expected interest rates to remain at their current level or lower until the end of June 2020.

## Significant events in July–September 2019

In July–September, a total of 19 (15) new properties were completed, and the company also acquired 1 (0) completed property.

## Financial development

Revenue for the review period was EUR 16.9 million (January–September 2018: EUR 12.5 million), representing an increase of 34.8 per cent year-on-year. The revenue consisted entirely of rental income from properties. The increase in revenue is mainly a result of a significant increase in the number of leases on completed properties.

The net profit for the period was EUR 19.0 (21.0) million, showing a decrease of 9.4 per cent on the previous year. The decrease was due to the change in return requirements used for the valuation of properties being smaller than in the comparison period. The net return of the portfolio decreased by 0.03 percentage points due to external real estate appraisals based on the situation on 30 June 2019. In the comparison period, the decrease in the net return was more significant: 0.16 percentage points. The property development margin has remained good, in line with the company's targets.

EPRA Earnings for the review period were EUR 7.8 (5.2) million, representing an increase of 50.3 per cent. EPRA Earnings represented 46.2 per cent (41.4 per cent) of net sales. EPRA Earnings are not comparable to the previous year because of changes caused by the adoption of IFRS 16 (as of 1 January 2019) and a tax refund included in personnel expenses. The adoption of IFRS 16 had an impact of EUR 0.1 million, and the tax refund had an impact of EUR 0.2 million, on EPRA Earnings.

Undiluted earnings per share were EUR 0.75 (0.83), and diluted earnings per share were EUR 0.74 (0.82). EPRA Earnings per share were EUR 0.31 (0.20).

The value of investment properties at the end of September was EUR 457.4 (310.4) million, representing an increase of 47.3 per cent. The company adopted the IFRS 16 standard on 1 January 2019. As a result of this, lease agreements on plots – which had previously been treated as other leases in line with IAS 17 – were transferred to the consolidated balance sheet, where they increased the value of investment properties and non-current liabilities by EUR 27.9 million. The IFRS 16 standard has not been applied retrospectively, and the figures for the comparison period have not been adjusted in this respect. The valuation of investment properties on 30 September 2019 is based on the assumptions and yields applied in the half-year report for January–June 2019. The next comprehensive external valuation of the property portfolio will be carried out based on the situation on 31 December 2019.

The rental occupancy rate was 100 per cent (100 per cent), with the average maturity of leases being 14.8 (15.0) years. The value of the lease portfolio (excluding index increases) was EUR 500.9 (399.8) million. At the end of the review period, the number of properties under construction and in the planning phase was 40 (44). Their investment value was EUR 146.7 (120.5) million.

| Properties, 30 September | Completed | | In progress and not started* | | Total | |
|---|---|---|---|---|---|---|
| | Q3/2019 | Q3/2018 | Q3/2019 | Q3/2018 | Q3/2019 | Q3/2018 |
| Number of properties | 148 | 107 | 40 | 44 | 188 | 151.0 |
| Leasable area, thousand floor m² | 126.5 | 93.8 | 53.4 | 46.9 | 179.9 | 140.8 |
| Annual rents, EUR million | 25.5 | 18.9 | 10.1 | 8.9 | 35.6 | 27.8 |
| Investment (acquisition cost), EUR million | 293.0 | 209.9 | 146.7 | 120.5 | 439.7 | 330.4 |

* = Properties in progress and not started also include properties for which binding leases or preliminary agreements have been signed, but construction has not yet begun.

EPRA NAV per share on 30 September 2019 was EUR 8.05 (6.43). The equity ratio was 37.4 per cent (46.0 per cent), and the loan-to-value ratio was 51.7 per cent (45.9 per cent).

## Flagging notifications

On 29 August 2019, OP Fund Management Company Ltd announced that the OP-Finland equity fund’s total number of shares and votes in Hoivatilat had fallen below 5 per cent following a transfer of shares on 28 August 2019. OP Fund Management Company Ltd also announced that the total holding of its managed funds in Hoivatilat was 6.96 per cent on 28 August 2019.

## Events after the review period

Hoivatilat Oyj has been selected to implement the Salonpää School project in Oulu and the Central Uusimaa Christian School and Day-care Centre project in Järvenpää. Both projects will be implemented in line with the lease model and will also include facilities for early education. The buildings will be completed in August 2020 and December 2021. The total value of these two lease agreements is around EUR 22 million, with their duration being 25 years.

After the review period, Hoivatilat Plc and Aedifica SA/NV, have on 4 November 2019 announced that Aedifica, through a wholly-owned subsidiary, Aureit Holding Oy, will make a voluntary recommended public cash tender offer to purchase all the issued and outstanding shares in Hoivatilat which are not owned by Hoivatilat or any of its subsidiaries.

## Financial targets for 2019–2021

Hoivatilat Plc has set the following financial targets for 2019–2021:

- Average annual increase of 30 per cent in revenue.
- Average EPRA Earnings of 40 per cent of revenue.
- Average equity ratio of at least 30 per cent. The equity ratio includes the effect of the IFRS 16 standard from 1 January 2019.

According to Hoivatilat's dividend distribution policy, the goal is to distribute at least 50 per cent of EPRA Earnings as dividends every year.

## Financial reporting in 2019

The financial statements bulletin for 2019 is expected to be released in February 2020.

Oulu 6 November 2019

Hoivatilat Oyj
Board of Directors

Further information:
Jussi Karjula, CEO
Tel. +358 40 773 4054

## Hoivatilat in brief:

**Hoivatilat Plc** specialises in producing, developing, owning and leasing out nursing homes, day-care centres and service communities. Founded in 2008, the company has been working in cooperation with as many as 60 Finnish municipalities and has launched 200 property projects throughout Finland and in Sweden. www.hoivatilat.fi

*This is not an interim report in accordance with the IAS 34 standard. The company carries out semi-annual reporting in accordance with the Finnish Securities Markets Act (746/2012) and publishes business reviews for the first three and nine months of the year that outline key information describing the company's financial performance. The information presented in this review is unaudited. Figures in brackets refer to the corresponding period of the previous year, unless otherwise stated.*

**HOIVATILAT PLC**

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# ARTICLES OF ASSOCIATION OF HOIVATILAT PLC

# Articles of Association

1. **Business name and domicile**
   The company's business name is Hoivatilat Oyj and its parallel business name in English is Hoivatilat Plc. The company is domiciled in Oulu, Finland.

2. **Line of business**
   The company's line of business is the ownership, management, selling, buying and leasing of properties and shares. The company may engage in construction, property development and renovation operations as well as property management. In addition, the company may provide financial and administrative services to Group companies.

3. **Book-entry securities system**
   The company's shares belong to the book-entry securities system after the registration date determined by the Board of Directors.

4. **Board of Directors and Chief Executive Officer**
   For the management of the company and the appropriate organisation of its activities, the company has a Board of Directors consisting of a minimum of three (3) and a maximum of seven (7) ordinary members. The term of office of the Board members ends at the conclusion of the Annual General Meeting following their election. The company has a Chief Executive Officer appointed by the Board of Directors.

5. **Right of representation**
   The Chairman of the Board of Directors, the Chief Executive Officer and any individuals authorised by the Board of Directors to represent the company shall each alone have the right to represent the company. The Board of Directors shall decide on the granting of the right of representation and the right to sign for the company.

6. **Notice of the General Meeting of Shareholders**
   The notice of the General Meeting shall be delivered to shareholders by publishing it on the company website or in an otherwise verifiable manner no earlier than three (3) months and no later than three (3) weeks before the General Meeting, but at least nine (9) days prior to the record date of the General Meeting of Shareholders as referred to in the Finnish Limited Liability Companies Act.If the Board of Directors so decides, shareholders must register in advance to be allowed to participate in the General Meeting of Shareholders. Shareholders shall register by the date specified in the notice of the General Meeting, which may be no earlier than ten (10) days prior to the General Meeting.

7. **Annual General Meeting**
   The Annual General Meeting shall be held annually on a date set by the Board of Directors, within six months of the end of the financial year. The company's Annual General Meeting or extraordinary General Meeting may be held at a venue in the company's domicile, Helsinki, Espoo or Vantaa, as determined by the Board of Directors.

At the Annual General Meeting, the following information shall be presented:

- the financial statements, including the consolidated financial statements and annual report;
- the auditor’s report;

The Annual General Meeting shall resolve the following matters:

- the approval of the financial statements and consolidated financial statements;
- the use of profit indicated by the balance sheet;
- discharging the Board members and the CEO from liability;
- the remuneration of the members of the Board of Directors and the auditors;
- the number of Board members;

The Annual General Meeting shall elect:

- The members of the Board of Directors;
- if necessary, the auditor and deputy auditor;

The Annual General Meeting shall discuss:

- other agenda items specified in the notice to the General Meeting.